



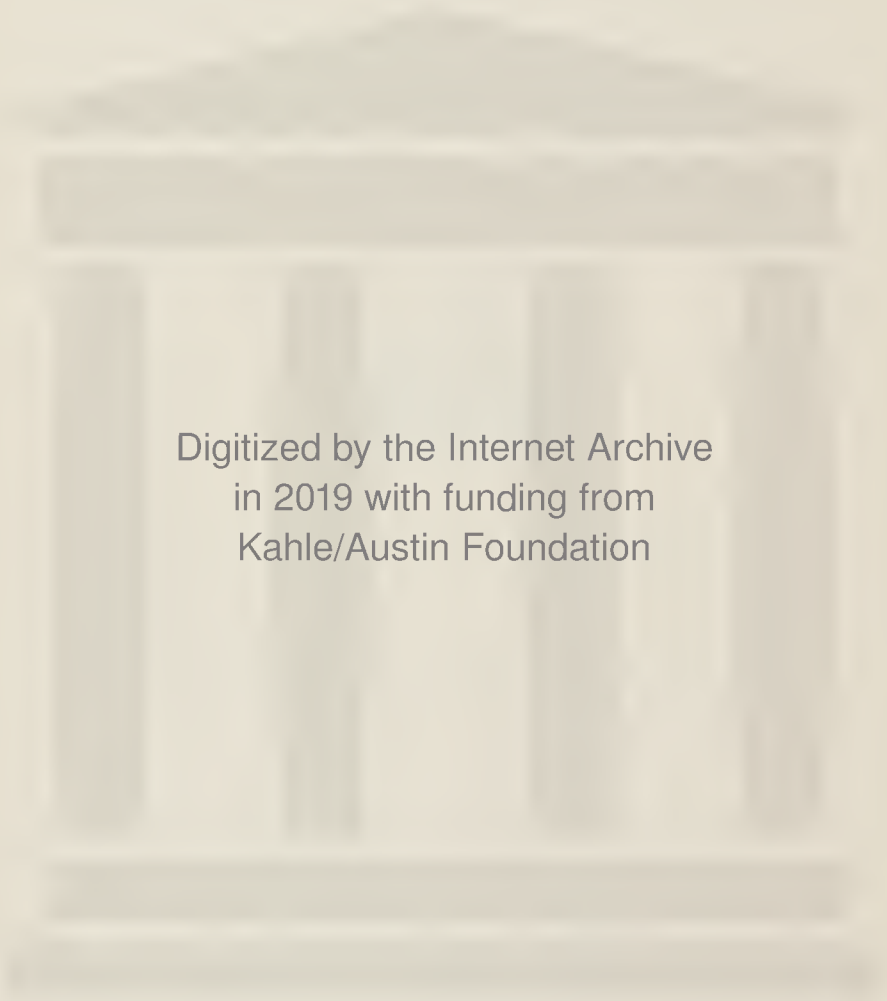
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# Foreign Relations of the United States 1946

Volume X  
The Far East:  
China



United States  
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## PREFACE

This volume was prepared under the general supervision of E. Ralph Perkins, formerly Chief of the Foreign Relations Division, now headed by S. Everett Gleason.

The compilers of the volume were Ralph R. Goodwin, Herbert A. Fine, and former staff members, Francis C. Prescott and Velma H. Cassidy.

Preliminary planning and review of the volume was provided by Mr. Perkins, Mr. Prescott, and John G. Reid. Mr. Gleason and Mr. Reid, assisted by Rogers P. Churchill were responsible for the final review.

The editors acknowledge with appreciation the assistance provided them by the historians of the Department of Defense, including those of the Joint Chiefs of Staff.

The Publishing and Reproduction Services Division (Jerome H. Perlmutter, Chief) was responsible for the technical editing of this volume.

WILLIAM M. FRANKLIN  
*Director, Historical Office*  
*Bureau of Public Affairs*

JANUARY 15, 1972.

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### PRINCIPLES FOR THE COMPILATION AND EDITING OF "FOREIGN RELATIONS"

The principles which guide the compilation and editing of *Foreign Relations* are stated in Department of State Regulation 2 FAM 1350 of June 15, 1961, a revision of the order approved on March 26, 1925, by Mr. Frank B. Kellogg, then Secretary of State. The text of the regulation, as further amended, is printed below:

1350 DOCUMENTARY RECORD OF AMERICAN DIPLOMACY

1351 *Scope of Documentation*

The publication *Foreign Relations of the United States* constitutes the official record of the foreign policy of the United States. These volumes include, subject to necessary security considerations, all documents needed to give a comprehensive record of the major foreign

policy decisions within the range of the Department of State's responsibilities, together with appropriate materials concerning the facts which contributed to the formulation of policies. When further material is needed to supplement the documentation in the Department's files for a proper understanding of the relevant policies of the United States, such papers should be obtained from other Government agencies.

### 1352 *Editorial Preparation*

The basic documentary diplomatic record to be printed in *Foreign Relations of the United States* is edited by the Historical Office, Bureau of Public Affairs of the Department of State. The editing of the record is guided by the principles of historical objectivity. There may be no alteration of the text, no deletions without indicating where in the text the deletion is made, and no omission of facts which were of major importance in reaching a decision. Nothing may be omitted for the purpose of concealing or glossing over what might be regarded by some as a defect of policy. However, certain omissions of documents are permissible for the following reasons:

- a. To avoid publication of matters which would tend to impede current diplomatic negotiations or other business.
- b. To condense the record and avoid repetition of needless details.
- c. To preserve the confidence reposed in the Department by individuals and by foreign governments.
- d. To avoid giving needless offense to other nationalities or individuals.
- e. To eliminate personal opinions presented in despatches and not acted upon by the Department. To this consideration there is one qualification—in connection with major decisions it is desirable, where possible, to show the alternatives presented to the Department before the decision was made.

### 1353 *Clearance*

To obtain appropriate clearances of material to be published in *Foreign Relations of the United States*, the Historical Office:

- a. Refers to the appropriate policy offices of the Department and of other agencies of the Government such papers as appear to require policy clearance.
- b. Refers to the appropriate foreign governments requests for permission to print as part of the diplomatic correspondence of the United States those previously unpublished documents which were originated by the foreign governments.



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# THE MISSION OF GENERAL OF THE ARMY GEORGE C. MARSHALL TO CHINA TO ARRANGE FOR CESSATION OF CIVIL STRIFE AND TO BRING ABOUT POLITICAL UNIFICATION

(Continued from Volume IX)

## XII. MARSHALL-STUART STATEMENT OF AUGUST 10; PRESIDENT TRUMAN'S MESSAGES TO PRESIDENT CHIANG KAI-SHEK; UNSUCCESSFUL EFFORTS TO ESTABLISH FIVE-MAN COMMITTEE TO SET UP STATE COUNCIL; CONTINUED FAILURE TO BRING ABOUT CEASE-FIRE (AUGUST 10-SEPTEMBER 29, 1946)

893.00/8-1646

### *Joint Statement by General Marshall and Dr. Stuart*<sup>1</sup>

General Marshall and Doctor Stuart have been exploring together every possibility for terminating the present growing conflict in China and for the initiation of the preliminary steps in the development of a truly democratic form of government. The desire for a peaceful solution to the political problems appears practically unanimous on the part of the people. The economic situation demands a prompt solution if a disastrous collapse is to be avoided. The fighting is daily growing more widespread and threatens to engulf the country and pass beyond the control of those responsible. Both the Government and the Communist leaders are anxious to put an end to the fighting but there are certain issues concerned in the immediate settlements involved regarding which an agreement has not been found. It appears impossible for the 2 parties to reach a settlement of these issues which would permit a general order to be issued for the complete cessation of hostilities in all of China. Certain of the unsettled issues relate to the military redispersions of troops. However, these apparently present less difficulty of settlement than a more fundamental issue concerning the character of local or country governments to be maintained in the regions which will be evacuated as a result of the military redispersion pending a basic decision in such matters by the Constitutional Assembly.

AUGUST 10, 1946.

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<sup>1</sup> Released to the press at Nanking on August 10. Copy transmitted to the Department by the Ambassador in despatch No. 52, August 16; received September 5.



893.00/8-1346

*President Truman to the Chinese Ambassador (Koo)*<sup>2</sup>

WASHINGTON, August 10, 1946.

MY DEAR MR. AMBASSADOR: I should appreciate your transmitting by the most expeditious means available to you the following confidential message from me to President Chiang Kai-Shek:<sup>3</sup>

"Since I sent General Marshall to you as my special envoy, I have followed closely the situation in China. It is with deep regret that I am forced to the conclusion that his efforts have apparently proved unavailing.

"I am certain that General Marshall, in his discussions with you, has reflected accurately the overall attitude and policy of the American Government and of informed American public opinion as well.

"During recent months the rapidly deteriorating political situation in China has been a cause of grave concern to the American people. While it is the continued hope of the United States that a strong and democratic China can yet be achieved under your leadership, I would be less than honest if I did not point out that recent developments have forced me to the conclusion that the selfish interests of extremist elements, equally in the Kuomintang as in the Communist party, are hindering the aspirations of the Chinese people.

"The Agreements reached by the Political Consultative Conference on January 31st were greeted in the United States as a far-sighted step toward the achievement of national unity and democracy. American disappointment over failure to implement these agreements by concrete measures is becoming an important factor in our outlook with regard to China.

"There exists in the United States an increasing body of opinion which holds that our entire policy toward China must be reexamined in the light of spreading strife, and especially by evidence of the increasing tendency to suppress freedom of the press as well as the expression of liberal views among intellectuals. The recent assassinations of distinguished Chinese liberals at Kunming have not gone unnoticed. Regardless of where responsibility for these cruel murders may lie, the end result has been to focus American attention on the situation in China, and there is a growing conviction that an attempt is being made to settle major social issues by resort to force, military or secret police, rather than by democratic processes.

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<sup>2</sup> Handed to the Chinese Minister (Tan), in the absence of the Ambassador, by the Director of the Office of Far Eastern Affairs (Vincent) on the afternoon of August 10.

<sup>3</sup> Text sent to General Marshall in telegram No. 97150, August 11. It was based on a draft "suggestion" in telegram No. 1283, August 10, from General Marshall and Ambassador Stuart.

"Our faith in the peaceful and democratic aspirations of the people of China has been shaken by recent events, but not destroyed. It is still the firm desire of this Government and of the people of the United States to assist China to achieve lasting peace and a stable economy under a truly democratic government. There is a growing feeling, however, that the aspirations of the Chinese people are being thwarted by militarists and a small group of political reactionaries, who, failing to comprehend the liberal trend of the times, are obstructing the advancement of the general good of the nation. Such a state of affairs is violently repugnant to the American people.

"Unless convincing proof is shortly forthcoming that genuine progress is being made toward a peaceful settlement of China's internal problems, it must be expected that American opinion will not continue in its generous attitude towards your nation. It will, furthermore, be necessary for me to redefine and explain the position of the United States to the American people.

"It is my earnest hope that I may in the near future receive some encouraging word from you which will facilitate the accomplishment of our mutually declared objectives."

Sincerely,

[HARRY S. TRUMAN]

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Marshall Mission Files, Lot 54-D270 : Telegram

*Mr. Walter S. Robertson<sup>4</sup> to General Marshall*

PEIPING, 11 August 1946.

6768. All team action today again blocked by Communist delaying tactics. As reported in my 6752<sup>5</sup> I reached verbal agreement on procedure with Communist Commissioner<sup>6</sup> late yesterday afternoon, subject to approval by National Government Commissioner.<sup>7</sup> English draft translated and sent to the 2 Chinese Commissioners for their signatures at 8 p. m. last evening follows:

"1. It is agreed that the following program of procedure to accomplish the mission assigned to Team No. 25 in our agreed directive of 2 August will be adhered to by that team in the order enumerated:

*a.* Interrogate and record the testimony of the eye witnesses, Major Freese<sup>8</sup> and Mr. Duke,<sup>9</sup> Executive Headquarters personnel who were passengers in the motor convoy.

*b.* Interrogate and record the testimony of the U. S. Marine Corps Commander (Lt. Col. Thomas R. Zelzer) and the U. S. Marine Corps

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<sup>4</sup> American Commissioner of Executive Headquarters at Peiping.

<sup>5</sup> August 10, vol. ix, p. 1502.

<sup>6</sup> General Yen Chieh-ying.

<sup>7</sup> General Cheng Kai-ming.

<sup>8</sup> Maj. Fred J. Freese, U. S. Army Air Forces.

<sup>9</sup> Emanuel M. Duke, U. S. Army Peiping Headquarters Group.

enlisted witnesses who have been standing by since 7 August waiting to give testimony.

*c.* Visit the area of conflict and interview and record the testimony of such Communist field commanders and other witnesses, civilian or military, regardless of affiliation, as may be made available.

*d.* Interrogate and record the testimony of Major General Keller E. Rockey,<sup>10</sup> as Commander First Marine Division (Reinf), Tientsin; General Sun Lien Chung, as Commander 11 War Zone; and the senior Communist Party Commander in area where incident occurred.

*e.* Interview and record the testimony of such other witnesses as each Branch considers necessary to establish facts directly related to incident.

*f.* Convene in team meetings for preparation and submission of report to the Three Commissioners."

National Government Commissioner signed. Communist Commissioner did not sign and could not be contacted this morning until 11 a. m. The team met at 9 a. m. Colonel Davis announced that he had been informed an agreement as to procedure had been reached but that it had not yet been delivered to him. He proposed that the team proceed with the examination of the Marine witnesses who were still standing by. National Government representative voted yes. Communist representative no. At 2 p. m. Communist Commissioner submitted a new proposal for translation which he said "made more specific" the agreement reached between us yesterday afternoon. We met at 4 p. m. to discuss it. It contained new factors which were not previously discussed and upon which we could not agree. After contending for a week that Generals Rockey and Sun should be interviewed, the new proposal eliminated these interviews. After long discussion Yeh agreed to restore them but insisted upon adding the following:

"*a.* Interrogate and record the testimony of the delegate of the Government force which took part in the conflict.

*b.* Interrogate and record the testimony of the Government forces' enlisted witnesses who took part in the conflict."

I pointed out that we could not accept and record as a fact in the problem of procedure the Communist claim that Government forces had participated in the conflict as this allegation had been denounced both by the Marines and the Government as pure fabrication; that the truth or falsity of this charge was one of the things to be determined by team investigation. I offered as a substitute a clause stating that the team would "interrogate and record the testimony of the National Government Commander of the unit which the Communists alleged took part in the conflict" but this was not acceptable. The new proposal also identified Major Freese and Mr. Duke as "Executive Headquarters personnel who took part in the Marine

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<sup>10</sup> Commanding U. S. Marine Forces in China.



patrol activities". Interpreter informed me that Chinese characters used indicated that the unit involved was an armed Marine patrol engaged in military activities rather than an escorted motor convoy. After two hours of conversation General Yeh suggested at 6 p. m. that we both further consider each other's viewpoints and have another meeting. Knowing Yeh as I do, it is impossible to escape conviction that he is stalling under orders from higher authority. As to procedure we are right back where we started and after 8 days' sessions the team has not been allowed by Communists to hear testimony of a single witness. Will keep you advised.

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893.00/8-1246 : Telegram

*The Chargé in the Soviet Union (Durbrow) to the Secretary of State*

Moscow, August 12, 1946.

[Received August 12—11 : 50 a. m.]

3168. *Pravda's* international review August 12, commenting on reported raid on Yen-an by 6 P-47's and 1 B-24 carrying American-made bombs, declares that this event is eloquent proof that civil war is blazing in China provoked by reactionary elements of Kuomintang. Review refers further to report that Central Govt has built up 6 armies for offensive toward north. In light of these provocational actions of Kuomintang authorities, "mediating activity" of General Marshall and Ambassador Stuart who are supposedly engaged in reconciling Kuomintang with CP,<sup>11</sup> "looks very strange."

American mediators are acting on principle: left hand does not know what right hand is doing, for they are "reconciling" with left hand and arming Chiang Kai-shek's troops assiduously with right. Bombing of Yen-an has evoked deep indignation of Chinese public which has intensified its demands for speediest withdrawal of US troops from China.

These demands clearly expressed and persuasively argued in speech by Sun Yat-sen's widow<sup>12</sup> have found very "peculiar" response in Washington in form of continually repeated categorical denial of reports predicting withdrawal of US troops from China.

Repeated to Nanking as 99.

DURBROW

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<sup>11</sup> Communist Party.

<sup>12</sup> Née Ching-ling Soong, sister of Madame Chiang Kai-shek, Madame H. H. Kung, and Dr. T. V. Soong, President of the Executive Yuan.

Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to the Commander of the Seventh Fleet (Cooke)*<sup>13</sup>

NANKING, 12 August 1946.

1302. Reference your message August 9th,<sup>14</sup> present situation Peiping regarding An Ping incident is that agreement has been reached Saturday evening by American and Communist Commissioners as to procedure and approval of National Commissioner was secured. Then Communist Commissioner, Sunday, added details in wording involving implications that were unacceptable.

Delicacy and embarrassment of situation for me is this: Government profits by delay and growing antagonism between Americans and Communists. Rupture would completely defeat my effort to secure Government agreement for cessation of hostilities and action to terminate present suppression of freedom of press and speech and positive steps for reorganization of present arbitrary and concentrated authority of Kuomintang Party.

It would also end role of Executive Headquarters. Hopei and Jehol Communist leaders are evidently most bitterly anti-American and I feel sure have of themselves precipitated this series of incidents which actually are critically harmful to Communist desires. Considerations of Soviet reactions and later procedure are also involved. I have just completed lengthy interview with Chou En-lai<sup>15</sup> in which I demanded immediate acceptance of procedure tentatively agreed to by Commissioners on Saturday. He is communicating with Peiping and Yen-an. The situation is much that of the proverbial rock and the whirlpool, except that one or two additional hazards are involved.

If you desire to make statement to press in light of the situation I do not object, but would like to see draft of such statement before release.

Delay in answering your message was due first to garbles which incidently indicated message was from Nimitz<sup>16</sup> to me, and also my desire to first have this additional meeting with Chou. The other matters you brought up will be discussed later.

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<sup>13</sup> Vice Adm. Charles M. Cooke, Jr.

<sup>14</sup> Not printed.

<sup>15</sup> Head of the Chinese Communist Party delegation at Nanking.

<sup>16</sup> Admiral of the Fleet Chester W. Nimitz, Commander in Chief, U. S. Pacific Fleet.

Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between Dr. Stuart and General Marshall at  
No. 5 Ning Hai Road, Nanking, August 12, 1946, 9:30 a. m.*

Also present: Colonel Caughey<sup>17</sup>

Dr. Stuart opened the meeting by outlining his meeting with General Chou the previous evening. Dr. Stuart said that General Chou was vitriolic toward the Generalissimo<sup>18</sup> and Kuomintang members. Dr. Stuart attempted to get the meeting to a practical basis by asking General Chou to concern himself with the immediate situation and the steps and procedures that were necessary to proceed with a peaceful solution. Dr. Stuart reported that General Chou also said that the joint statement by himself and General Marshall was a definite indication that Americans felt General Marshall's mission had failed. Dr. Stuart told General Chou that such was definitely not the case. General Chou then outlined the conditions under which the Communists might accept the Generalissimo's recent terms:

*North Kiangsu*:—According to the 25 February reorganization plan,<sup>19</sup> three divisions were initially to be located in North Kiangsu. The Communists now would consider the allocation of one division only to that area.

*Tsingtao-Tsinan Railroad*:—Communists would withdraw completely.

*Jehol*:—Communists would accept withdrawal of Southern Jehol providing they could keep troops in Chengte itself.

*Manchuria*:—Antung is the only major issue involved and that could probably be resolved satisfactorily.

*Shantung-Shansi Provinces*:—Communists would agree to evacuate towns and cities occupied since June 7th providing Nationalists Forces did likewise.

General Chou had continued by saying that most all of these military matters could be resolved, but always the civil administration problem cropped up, which was creating greater and greater divergence of views.

When Dr. Stuart had asked General Chou why the Communists could not give up North Kiangsu province, General Chou replied that there was a large population involved. Dr. Stuart stated that although this particular population was large, the overall Chinese population was much larger and that in the interests of peace and a unified China the Communists could probably afford to make a concession on that particular point. General Chou had rejected that

<sup>17</sup> J. Hart Caughey, Executive Officer on General Marshall's staff.

<sup>18</sup> President Chiang Kai-shek.

<sup>19</sup> Vol. IX, p. 295.



particular argument by stating that if the Communists made a concession in this province the National Government would demand greater concessions elsewhere in China.

Dr. Stuart had continued by informing General Chou that the present situation could almost be considered amusing wherein two Americans were trying to convince Chinese that they should stop fighting. Dr. Stuart concluded the summary by stating that General Chou had requested that he not go to Peiping today.

General Marshall then took up with Dr. Stuart Admiral Cooke's reaction to the present situation (per 6758<sup>20</sup>). General Marshall then asked Dr. Stuart for his comments as to whether he (General Marshall) should make a public statement at the same time withdrawing American participation from the Investigating Committee. Dr. Stuart was highly in favor of such a procedure although General Marshall stated that he was reluctant to do so because if he did it would prove conclusively to the Government that he too had come to the conclusion that it is not practical to settle matters by the processes of negotiation with the Communists and that such a statement would undoubtedly sterilize completely Executive Headquarters.

General Marshall then stated that General Chou was coming later in the morning for a meeting. He proposed to completely orient General Chou with reference to his (General Marshall's) thoughts on the present status of the Investigating Committee and also with reference to a possible public statement. Dr. Stuart asked General Marshall to tell General Chou that although he (Dr. Stuart) believed such a statement would be profitable, that he believed so because he was convinced of the Communists' sincerity and willingness to continue negotiations.

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and General Chou En-lai at No. 5 Ning Hai Road, Nanking, August 12, 1946.*  
10:50 a. m.

Also present: Colonel Caughey  
Captain Soong<sup>21</sup>  
Mister Chang<sup>22</sup>

GENERAL MARSHALL: I saw Doctor Stuart this morning and we had a lengthy conversation. He is not leaving for Peiping today.

I have been working on a message to Admiral Cooke,<sup>23</sup> who has

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<sup>20</sup> Probably the same as telegram of August 9 from Admiral Cooke to General Marshall, not printed. Telegram No. 6758 from Executive Headquarters not found in Department files.

<sup>21</sup> John L. Soong, U. S. Army interpreter.

<sup>22</sup> Chang Wen-chin, personal secretary to General Chou En-lai.

<sup>23</sup> Telegram No. 1302, August 12, p. 6.

been pressing me regarding a statement as to the An-ping incident. Yesterday I saw a press release of August 10th in the New China News Agency which includes this statement: "Owing to the repeated provocative acts of the U. S. Marines, the U. S. Branch (meaning Executive Headquarters) who has been on the mediating position now takes side with the Nationalist Branch and becomes one of the initiators of military conflicts or at least the party concerned in the conflict. This aroused unbelievable confusion in the 25th Field Team. Against the various propaganda charging against the Chinese Communist Party released by the U. S. Marines who have got all possible assistance, it is strange to say, 'They were attacked' as asserted by the Kmt.<sup>23a</sup> U. S. Branches themselves have done their utmost to delay the start of the Special Team, while the only one who demands immediate investigation is the Chinese Communist Branch."

This morning I received this from Peiping. "The following special article appeared today (August 11) in the *Social Welfare*: 'The United States branch of the Sino-American Headquarters has reported to General Marshall the reason of the delayed departure of the An-ping incident team and it was learned that this report dealt with the delays on the part of the Communists. It was reported that the following agreements have been reached between General Chou En Lai and General Marshall and have been transmitted to the Executive Headquarters for implementation: (a) The team of investigation adopts a program of procedure first. (b) The senior members of the three branches will take turn to be the chairman of the team['].'"

This morning, an hour ago, I received a very lengthy message from Mister Robertson <sup>24</sup> which, in effect, states this: that a tentative verbal agreement was reached by Mr. Robertson and General Yeh on Saturday regarding procedure and that was reduced to writing <sup>25</sup> in Chinese and sent to the Nationalist Commissioner who agreed to Mr. Robertson's side. The Communist Commissioner then declined to sign. He could not be reached until this morning (the 11th) at 11 a. m. Meanwhile the team met at 9 o'clock in the morning of the 11th and Colonel Davis announced the form of the agreement of procedure, stating that it was not yet delivered to him. He proposed that the team proceed with the examination of the Marine witnesses who were still standing by. The Communist representative voted no.

At 2 p. m. Commissioner Yeh submitted a new proposal for translation in which he had made more specific the agreement reached "between us yesterday afternoon". The Commissioners met at 4 p. m. to discuss it. It contained new factors which were not previously discussed and upon which we could not agree. After contending for a

<sup>23a</sup> Kuomintang.

<sup>24</sup> Telegram No. 676S, August 11, p. 3.

<sup>25</sup> See memorandum of August 10 by the Three Commissioners of Executive Headquarters to Field Team No. 25, p. 329.

week that Generals Rockey and Sun be interviewed, the new proposal eliminated these interviews. After a long discussion Commissioner Yeh agreed to restore them but insisted on adding the following:

a. Interrogate and record the testimony of the delegates of the Government force which took part in the conflict.

b. Interrogate and record the testimony of the Government forces' enlisted witnesses, who took part in the conflict.

"I (that is, Robertson) pointed out that we could not record and accept as a fact in the problem of procedure the Communist claim that Government forces had participated in the conflict as this claim had been denounced both by the Marines and the Government as pure fabrication, that the truth or validity of this charge was one of the things to be determined by the investigation of the team. I offered as a substitute a clause that the team would interrogate and record the testimony of the National Government commander of the unit which the Communists alleged took part in the conflict. But this was not acceptable. The new proposal also identified Major Freese and Mr. Duke as Executive Headquarters personnel who took part in the Marines' patrol activities. The interpreter informed me that the Chinese characters used indicated that the unit was an "armed Marine patrol" engaged in activities rather than an "escorted motor convoy". After two hours of conversation, General Yeh suggested at 6 p. m. that we both further consider each other's viewpoints and have another meeting. Knowing General Yeh as I do it is impossible to escape the conviction that he is delaying under orders from higher authority. As to procedure, we are right back where we started after eight days' sessions and after eight days the team has not been allowed by Communists to hear the testimony of a single witness."

Now, I further have a long message from Admiral Cooke,<sup>26</sup> who is the responsible military officer in the China region for the Marines. He takes note of the protest reported in the newspapers being made by General Chou En Lai of the bombing of Yen-an while the facts are still in dispute. He notes the press reports regarding the delays in Peiping, including the Communist refusal to accept testimony of the Marines and Army officers present at the time of the incident; the delays in securing safe conduct, etc. He states that in the meantime additional incidents have been reported. On August 5th an undetermined number of Chinese with Thompson sub-machine guns fired at a Marine sentry who was guarding a Marine ammunition dump near Tangku and the fire fight continued for a lengthy period. In the same morning a Marine officer in Tientsin was fired on and when a truckload of Marines was sent to investigate they ran into an ambush.

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<sup>26</sup> August 10, not printed.



Now a report <sup>27</sup> has come in that a coal train between Kuyeh and Tientsin near Linsi ran into an explosive on the track which derailed the train. There was an escort of four Marines in the last car, or caboose. They were immediately put under fire from individuals along the road, to which they replied. Two of the Chinese were killed and none of the Marines.

Admiral Cooke protested to me over this delay; protested to me over the statements being made, the propaganda; and insists on early action and statement.

Dr. Stuart and I had a lengthy discussion of the situation this morning. We differ in part as to what is to be done. I am going to be frank and explain to you exactly what the difference is. Dr. Stuart feels that an immediate statement should be made by me of what I consider the cause of the An-ping incident and to the effect that there has been continuous delaying procedure followed by the Communists at Peiping towards the investigation of this matter. I agree with him that some such action by me is demanded under the conditions at the present time. My reluctance to this procedure, despite the fact that I feel that it probably must be done, is that it almost completely destroys any power I may have to influence the Government towards a settlement of the political disputes in China by ordinary processes of negotiation. Since I arrived in China in December, I have been told by the Generalissimo a number of times that such negotiations were not practical because the typical Communist tactics of obstruction would inevitably make them abortive. That view has been impressed on me time after time by various military and political leaders of the Government, to the effect that I was endeavoring to persuade the Government into an impossible position. I have maintained throughout that they had never given such a procedure a fair test and that, on the other hand, there had been so much provocation by irreconcilable political members of the Government and confirmed militarists that it was not practical to judge the possibilities. Now, if I make the statement that Dr. Stuart and I feel should be made at this time, it means to me that the Government would instantly seize upon this as positive proof of their claims just referred to, and therefore it would terminate any possibility of my being able to influence the Government into a position of settling the political differences with the Communist Party by the peaceful processes of negotiation. They would tell me that in the one instance in which I became involved and one which would seemingly be not too difficult of negotiation as to the simple matter of procedure, that I had failed utterly and therefore could not expect the Government to commit itself to a policy to negotiations regarding matters of vital importance to the people of China as well as to the security of the Government itself.

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<sup>27</sup> Cabled to General Marshall via Navy channels; not printed.



Dr. Stuart feels that the effect of the statement would not be as drastic as I have outlined and that he had sufficient faith in General Chou's representations of the Communist interest to feel that the political negotiations could still be entered into. On my side, I have had the Government arguments put to me so many times that I think I can clearly interpret their inevitable reactions.

There is another consideration in my mind, and that relates to the effect of such a statement by me on Executive Headquarters. I feel that it would virtually terminate the usefulness of Executive Headquarters, and the extract from Yen'an propaganda which I just read to you plainly confirms that fact. Dr. Stuart did not think the result would be quite so catastrophic. You will recall my unwillingness to establish a team because I felt sure that propaganda would immediately result charging that the Government and the United States personnel had aligned against the Communist force. That is exactly what has happened. Now I have given all of my reasons for reluctance to make the statement which I do feel called upon to make. I am completely at a loss to understand the tactics of the Communist Party at this time; whether their representatives are the victims of a reaction to conventional procedure or not I do not know; whether their local leaders in Hopei and Jehol are so bitterly anti-American that they cannot easily be controlled I do not know. But it seems clear to me that their course in this matter is definitely destructive of any possibility of peaceful political settlement of the issues in China and will confirm the militaristic group and a certain political group in the Government in the policy of force.

GENERAL CHOU: I appreciate your telling me the whole story concerning what you have learned with regard to the An-ping incident. I recall that in the very beginning you were reluctant to dispatch a team, but you will also recall that I insisted to have such a team. The information you received and that which I have received differ a great deal. The main points of difference are: (1) The cause of the conflict, which side is responsible. (2) The Nationalists' part in the conflict, whether they participated. As to all the other points, such as; the convoy itself was a patrol unit; some fighting took place and both sides sustained casualties; reinforcements were sent later on; they are not points of difference and it is not necessary to discuss them. Should each side submit and publish its own report, it would form a complete opposition of two sides. With a view to avoid such opposition, I suggest that the true facts should be determined. Therefore I suggest that a prompt investigation be made of the situation so that we can at least find out what facts are acceptable to both sides.

I never expected that the matter would be stalled for 10 days. Rather I was thinking that the quicker the matter could be taken up the better it would be. Therefore on August 2nd I not only wired to

General Yeh that he should immediately participate in such a team, but he also should send his own representatives to the field to clarify the situation so far as possible to dig out the true facts and to determine the responsibility. Unexpectedly the dispute over the procedure was raised and I learned about the question of rotation of chairmanship only from the message of Mr. Robertson as you told me. At that time you also told me that you thought such a suggestion seemed reasonable and practical. So, on the same night, I wired to General Yeh and at that time I merely told General Yeh that a decision should be made on the procedure and that the procedure should be a fair one.

On the morning of Saturday, August 10, I then told you about the procedure which was published by the Kuomintang papers and I received a report from General Yeh on the proposed Communist procedure. In effect that report and the conditions reported by the Kuomintang papers were almost the same. Early the next morning I sent a letter <sup>28</sup> to you indicating that I thought the Communist proposal was a reasonable one which includes such points as first, to hear the report of the U. S. Marine commander; second, the report of the Communist local commander; third, the report of the local Nationalist authorities; fourth, to receive the testimony of the eye witnesses; fifth, to take any necessary actions; sixth, to form a conclusion and submit a report to the commissioners for publication. This proposal was incorporated in the instructions I sent to the Communist branch, Executive Headquarters which has paid due respect to the American side. However, the special team could not reach agreement on the matter of procedure and on Saturday the matter was referred to the Three Commissioners.

As to the matter of responsibility, the Kuomintang papers charged that the Communist side is to blame because they are obstructing the proceedings. This charge cannot be accepted because, according to the report of the Kuomintang papers (the Central News), the American and Kuomintang side only intended to hear report from the American side and from the local civilians on the situation and that would be sufficient. I feel rather embittered by such a claim because while I have given my best intention to formulate a fair basis, the proposal of the American and the Kuomintang members is not fair because even in the case of trying the war criminals as in Tokyo the International Tribunal has to hear the report of both sides and American lawyers were to be assigned as defendants for the war prisoners. General Chin, who is a representative of China, will still be crossfired by the defendants of the Japanese war prisoners. So, in the case of the An-ping incident it is only fair that a report of the Communist side should be heard by the team, before a conclusion can be formed.

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<sup>28</sup> MM 117, August 10, vol. ix, p. 1507.

It appears that the American version is that they proceed with one step before considering the next one. Such a procedure would not let the Communist representative feel at ease because he knows beforehand that both the Americans and the Kuomintang members have in mind not to hear the report from the Communist side. They may make a conclusion without interrogating the Communist side. This is tantamount to forming a judgment in the absence of a defendant. This attitude of the Kuomintang and the American members as also reported by General Yeh as well as by the Kuomintang papers seems to be unreasonable to me. Even if the whole incident as alleged by the Kuomintang and American side is caused entirely by the Communist troops and without the involvement of the Nationalist troops, they still should hear the report of the Communist side. I feel that the procedure suggested by the Communists should be adopted because you also expressed to me that a procedure is necessary. I don't feel that we can be charged as responsible for the four-day delay, or can I blame our own representative because of this delay. Even the Kuomintang papers admitted that we have made such a proposal which seems to me to be reasonable.

Regarding the propaganda after the An-ping incident, the Kuomintang papers released lavish propaganda against the Communists through the Central News Agency almost every day. Breaking all antecedents, Commissioner Cheng Kai Ming and General Tsai Wen Chih<sup>29</sup> made public statements; and also the American side in the form of a spokesman made a statement to the press. All these statements are charging the Communists for the delay.

As to the new dispute among the commissioners on Saturday, I am not yet informed about the conditions of the dispute. Mr. Robertson also did not indicate expressly in his message as to what the new factors are. It appears as if the Communists are demanding a report from the Nationalist troops or representatives of the Nationalist units who took part in the conflict. The Nationalist side denied that it participated in the conflict and it appears to me that a solution of the procedure can be easily settled because we are to have a report of the local Nationalist authority anyhow. That authority may lend evidence that it has not participated in the conflict while the Communist side will have to bring forward evidence to show that it has. I learned that our forces are reported to have captured some arms from the Nationalists, but anyhow the local Nationalist military authority can prove their absence. Before I have received any report from Commissioner Yeh it may appear that the delay may not be necessary. On this matter I will take the responsibility to wire to Commissioner Yeh to get the matter clarified, but I still associate myself with the

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<sup>29</sup> Chief of Staff of the Chinese Government Branch at Executive Headquarters.



original proposed procedure. If Mr. Robertson would also accept it then it would be a very good thing.

There are two other points I would like to mention :

(1) After the outbreak of this incident on July 29 we still had no direct contact with the local Communist forces nor has Commissioner Yeh this support. The American side has now received a complete report from its own people and they have the opportunity to meet their personnel and see that they have been fired upon. Of course there is a bitter sentiment among the staff of the American side. This is quite comprehensible. On the Nationalist side they have facility of transport. They can easily establish contact with the National troops. On our side from the angle of transportation we are entirely at a loss. I don't know whether Commissioner Yeh has brought up this point to Executive Headquarters. It appears to me that he did not know what was actually going on at An-ping except the first report which was released by the Yen-an broadcast. No further report came in so we still are at a loss on what actually happened there. This places us in a very difficult position. It is for this reason that on August 1st I immediately wired to General Yeh asking him to send his own people to investigate the matter. Now on the many points you brought up I am still very confused because I have received no report of my own. We must hear our own local commander's report and collect our own eye witnesses before we can comment on this matter.

(2) After the An-ping incident the Kuomintang immediately sent army units to such places as Hsian-chu and Paoti and other places along the Tientsin-Peiping highway to launch attacks against the Communists. In An-ping we originally had an inspection station on the highway. All cars passing through that point had to report to the station. According to the original arrangement the American side will be exempted from inspection but they have to carry flags and other signals to make it known to the Communist side. Later on it was not fully practiced. Some firing occurred sometimes between the U. S. Marines. On these matters the Kuomintang is already grasping the incident to launch attacks against the Communists and drive us out despite the fact that we actually evacuated from An-ping itself. No troops were left.

Now, you have just mentioned the difficulties and the reservations you have on the effect of this incident on the negotiations. I fully appreciate that. The day before yesterday I also explained that difficulties were caused by the stationing of the U. S. Marines along the railway lines and highways because although they gave some help to the Executive Headquarters, they simply constituted assistance to the Nationalist side. The Nationalist side is using those military garrisoned railways and highways as their basis to start operations. The Marines are carrying out the mission of repatriating the Japanese and maintaining communications. Therefore they feel that they can have free action and sometimes they fire a shot. It also occurs that sometimes the people get hurt. They do not care very much about that.

The American Marines are virtually assisting the Nationalist troops, and freak accidents are bound to occur. Hence if the matter cannot be settled no one can be sure that no other incident will take place. I have told you very frankly about that. You also told me your views on this matter. There is a possibility, for example, of withdrawing the Marines, but then you suggested that they be replaced by the Nationalist troops and that was not accepted by us. As a matter of fact, despite our objection, the Nationalists are still sending reinforcements to several places—Tsingtao and Tientsin. I am wondering, as another alternative, whether it can be met this way; that the Marines controlled areas be made completely neutral to both parties so that the Nationalist troops would also be committed not to enter those areas. The area will be completely garrisoned and completely maintained by the Marines. This may be a better way to prevent any unfortunate incident. Otherwise the situation is getting more and more complicated day by day. Under such circumstances we are forced into a dead corner. While I fully appreciate the consideration and the difficulty you have in mind with regard to this incident, I also wish to express the difficulties as I see it. I hope you will carefully weigh the suggestion I just referred to. The Nationalists are making provocations and sowing dissension between the Marines against the Communists. This is an urgent matter even when there is no incident.

Of course, I admit that if those areas are declared as a completely neutral zone, there still remains the possibility that some plot can be staged, seeing that the administrative authority is still in the hands of the Kuomintang and that some danger still exists. But it would alleviate the situation a great deal.

Anyhow I wish to reiterate this one fact which relates to the difference of the attitude of the Kuomintang and the Communist Party. While we requested that Americans would withdraw its economic and military support of the Kuomintang we never implied that such assistance should be stopped forever. There should be no question about such cooperation, but on the Kuomintang side they cooperate a different way. They say that it is impractical to negotiate with the Communists and that the Communists cannot be trusted. What they want is to monopolize the relation with the U. S. while we are only trying for a fair and equitable cooperation.

As to the firing in Tientsin which you just mentioned, I don't [*doubt ?*] that it can be by the Communists within the city itself.

Now, regarding the dispute over the procedure, I will immediately send a wire to General Yeh expounding my views as I just told you. I think the six points which I mentioned are very fair and can be adopted without much amendment. If Mr. Robertson would also agree to this proposal then I would feel very gratified. I still don't



know whether Mr. Robertson would agree to that proposal, in view of the new factors which Mr. Robertson mentioned. Regardless of whether the Nationalist side did take part in the conflict or not, a report from the Nationalist side seems essential.

GENERAL MARSHALL: I am not so much interested in the propaganda aspects except to quote them as they reflect what I had anticipated and commented on to you. You spoke at length regarding the unfairness of the Communists not being accorded the opportunity to present their side of the case according to the procedure proposed by Mister Robertson. I have not seen what General Yeh communicates to you but I have been exceeding frank in quoting, or actually furnishing, you with what Mister Robertson reports to me. The message which arrived this morning provided that "A visit to the area of conflict to interview and record the testimony of such Communist field commanders and other witnesses as may be made available." That would certainly permit the Communists to present their side of the case. The proposal also included the testimony of the American general commanding the Marine division, the National Commander of the 11th War Zone and the senior Communist commander in the area. It further included the interview and recording of the testimony of such other witnesses as each branch considered necessary to establish the facts directly related to the incident. Now that certainly includes a full opportunity for the Communists to present their case in the investigation, and I therefore do not understand that portion of your presentation that implied that the Communists were being barred from such opportunity. That would be completely repugnant (that is, antagonistic) to all American ideas in such matters. The more serious aspect of the case is indicated to me in this message of this morning whereby the Communist representative insisted on including in the program statements presumably to be accepted as facts which were actually issues to be investigated. I referred to those specific points. I will repeat them again because they represent to me the definite Communist obstructional tactics. The first was this proposal from General Yeh, "Interrogate and record the testimony of the delegates of the Government forces which took part in the conflict." That is a deliberate insertion of something that is yet to be determined as a fact and which, if accepted as part of the schedule, of the program, would obviate any necessity for such investigation.

The second point of that nature read, "Interrogate and record the testimony of the Government forces' enlisted witnesses who took part in the conflict." It further proposed that Major Freese and Mr. Duke, who were passengers in the convoy, be referred to as "Executive Headquarters personnel who took part in the Marine patrol activities", which means of course stating in the record before any investigation that this force was in no way a convoy but was instead a patrol.

Further it implies that those two individuals were members of the patrol and not members of Executive Headquarters, which agency has been established in China to promote a peaceful settlement. Now, those particular proposals by General Yeh to me are definite, absolutely definite, indications of a manoeuvre either to obstruct or to secure action preliminary to investigation, which would determine critical factors regarding the incident.

Mr. Robertson uses this expression, "Knowing General Yeh as I do, it is impossible to escape the conviction that he is delaying under orders from higher authority". I am not implying that the higher authority is you because I think you are far too wise to have this matter develop in the manner it has. I must, therefore, assume that it is strong influence from the Communist leaders in that region or strong pressure from his leading subordinates in Peiping, who in the past have indicated a far more antagonistic attitude than General Yeh, or direct instructions from Yen-an. I say this because General Yeh enjoys the admiration of Americans and you may even say their affection. They all like him. They all trust him. That is a matter of common remark. I think you are unwisely judging American attitude in the light of your long experience with the battle of wits and propaganda and manoeuvres between the Communist Party and the Central Government.

To me it is literally impossible for a group of Americans educated in the standards of the Army, or the Navy, or the Marines who could be involved in deliberate misrepresentations in such an investigation. A single individual might, but never a group. Our standards are too high and our judgments are too severe to encourage or permit such collusion. The first person to react, if there were any such evidence, would be Admiral Cooke, commander, who would immediately bring the individual officer to trial at the hazard of his commission and his career. So, I agree with General Chou that it is highly desirable to have a fact finding group. At the same time there is no doubt whatever in my mind as to the main factors in the case or that there is any action or intention on the part of the American authorities on the ground to conceal the facts or to bend them to their advantage. I cannot think of any more to be said at this moment, except to emphasize the importance of straight-forward action without delay. I answered your letter last night but it was not retyped until this morning and then had to be retyped again because of information recently received, and now still later comes this message I have been quoting from this morning which bears very directly on the subject. I will have the principal portions of this message that I have been quoting typed and sent over to your house early this afternoon so that there can be no confusion as to just what was said.

GENERAL CHOU: I will not make a lengthy comment. I know from

personal contact that the American friends are full of liberal spirit and therefore it is impossible for a group of Americans to make a deliberate misrepresentation. However, from my personal contact I also have the impression that though they are not in collusion with the Kuomintang, on the other hand they are quite sentimental, speaking as individuals. Though they do not make a deliberate misrepresentation they are guided by personal sentiments and may feel at the same time that they are fair but actually they do not deal with the matter cool-headedly and objectively.

About the discussion I just had with you with regard to the dispute in the Executive Headquarters, we were referring to different periods. I was referring to the stage prior to Saturday because I have not received any news from General Yeh regarding the discussion, etc., so at the present time I can only rely on the report of Mr. Robertson. It might be by this time Mr. Robertson has agreed to such a procedure and, if so, the thing is now as I have presumed. I believe that any further argument seems out of place. The reason that this procedure should be referred to the Three Commissioners is just as I mentioned in my letter to you; that the special committee itself could not resolve the matter for four days, and that the attitude of the American representative has been that he would not accept a procedure for the moment but he prefers to record the testimony of the American eye witness first. The Communists are afraid of such a situation because without a fixed procedure, except recording the American eye witnesses alone, may imply that the fact will be established on the basis of American testimonies. Therefore they would not feel enough assurance. Therefore, I would like to point out that we were referring to two different periods. If the matter stands now as Mr. Robertson has stated then I would like to state that it is not advisable to first accept matters which are still to be settled. It is not advisable to do so. I do not want to think that this action as reported by Mr. Robertson would have great effect of the course of events. It might be due to a misunderstanding; or due to the advice of the subordinate members of General Yeh; or due to the insistence of the local Communist commanders, because they claim firmly that the National troops did participate. Anyway we should not make too much inference on this attitude of General Yeh as reported by Mr. Robertson but we should deal with the matter business-like. I fully agree with the conclusion that you have just made that we should deal with it in a straightforward manner.

Regarding the latest Marine incident, I learned about this incident from the newspaper report by the Central News. I immediately wired to Peiping to inquire about this incident yesterday and at this moment I cannot say what is the actual situation. Therefore, I am afraid that as the matter now stands, similar things might happen later on.



It might be due to participation of the Kuomintang, or due to misunderstanding of the Communists and Marines. I am very much worried about the situation and that is why I brought up the status of the Marines. I hope definite measures can be worked out so that we could get rid of possibilities of incidents.

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Marshall Mission Files, Lot 54-D270: Telegram

*General Marshall to Mr. Walter S. Robertson, at Peiping*

[NANKING,] 12 August 1946.

1303. Just completed lengthy conference with Chou En Lai regarding An-ping incident. Gave him essential portions of your description of procedure in 6768.<sup>30</sup> He stated he had no report of events in Peiping since Saturday morning and therefore was dependent on press and my information. His points were that procedure must be agreed upon in advance and that he thought original Communist proposal was not inconsistent with situation. Also, that he thought rotation of chairmanship was a fair procedure. His information had led him to believe that opportunity for Communist witnesses was not being accorded, which I disabused, and that to initiate investigation with American eye witnesses was calculated to prejudice issue at the start and would result in immediate propaganda.

I was dealing with him on a very sharp basis with a stated view to issuing a public statement. Yet most confidentially I don't quite see why our man took so firm a stand on interviewing certain witnesses first if he could get Communists committed to procedure by accepting their proposal. Also, it was not made clear to me that our man proposed at the start a complete program of procedure. Also, it seems to me that we prejudice our standing in the matter by maintaining our man as chairman throughout. Let me hear further from you without delay.

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Marshall Mission Files, Lot 54-D270: Telegram

*Mr. Walter S. Robertson to General Marshall*

[PEIPING,] 12 August 1946.

6826. At meeting Team 25 today Colonel Davis<sup>31</sup> informed the team that no supplemental directive with regard to the exact procedure to be followed by the team had been received from the Commissioners. He therefore asked for a vote as to whether the Marine witnesses now available would be permitted to present their testi-

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<sup>30</sup> August 11, p. 3.

<sup>31</sup> Col. M. F. Davis, senior American member of Team 25 investigating the Anping incident.



mony. All agreed except Communist Party member who would not assent.

Team chairman Colonel Davis then asked the team whether either of the Chinese members could offer a constructive suggestion with reference to any further business to be conducted by the team. Both Chinese Branches answered in the negative. The Communist Party member then moved the team adjourn and reconvene upon written instructions from the Three Commissioners. The United States member requested permission to add to the Communist Party member's proposal that the team should convene daily at 9 o'clock to be in a position to transact business upon receipt of instructions from the Commissioners. All agreed to accept the Communist Party proposal as amended by the United States member.

United States Marine witnesses are returning to Tientsin and will be available upon 12 hours' notice.

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Marshall Mission Files, Lot 54-D270 : Telegram

*Mr. Walter S. Robertson to General Marshall*

PEIPING, 12 August 1946.

6827. There has been no opposition on part of either American or National Govt representatives to adopting a program of procedure, re your 1303.<sup>32</sup> On contrary, Communist representative rejected program offered by American and approved by Natl Govt representative and has insisted that unless the procedure proposed by him was adopted the team could take no action. For 9 days he has completely succeeded in accomplishing his purpose.

I do not agree that original Communist proposal was either reasonable or consistent with situation. It included provision that team must agree in advance that no witness could be heard unless such witness was unanimously approved by the team as being a proper one. This provision considered in connection with Communist representative's assertions at various times at team meetings that

(1) No civilian could be allowed to testify as this was a military matter.

(2) That no American could be allowed to testify because he would be prejudiced.

(3) That no member of convoy could testify for same reason, would seem to indicate drift of his thinking in plotting a complete deadlock.

There is no opposition in American Branch to rotating chairmanship. Question has not been pressed by Communists. We readily agree to such an arrangement.

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<sup>32</sup> August 12, p. 20.

Chou En Lai's intimation to you that "opportunity for Communist witnesses was not being accorded" is pure bunk. His fear "that to initiate investigation with testimony of American eye witnesses was calculated to prejudice public opinion at the start and would result in immediate propaganda" comes with poor grace from a member of his party which daily is engaging in the most distorted and vicious propaganda while delaying as long as possible all progress of an investigation which might counteract it. In comparison with General Huang,<sup>33</sup> Huey Long<sup>34</sup> was an amateur. Huang makes 2-hour speeches and pretends to be grossly insulted if the Chairman attempts to interrupt him. He addresses Davis neither as Chairman of the Meeting nor by his military title but shakes his finger at him calling him "you" but using "ni" instead of the polite "nin".

Referring to your 1305,<sup>35</sup> Davis has made no statement to outsiders. The press attends team meetings and all statements attributed to him result therefrom. Incidentally, Davis is being subjected to the most ruthless and viciously unjust propaganda. I suggest that you reserve judgment concerning him until I can give you the whole story in person. Am leaving for Nanking tomorrow to arrive late afternoon. ETA<sup>36</sup> later.

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Marshall Mission Files, Lot 54-10270

*Minutes of Meeting Between General Marshall and General Yu Ta Wei<sup>37</sup> at Nanking, August 13, 1946, 9:30 a. m.*

Also present: Colonel Caughey

General Yu handed General Marshall a statement prepared by the Generalissimo which the Generalissimo desired to be issued to the Press not earlier than 3:00 p. m. this date for publication not earlier than 8:00 a.m. 14 August 1946.<sup>38</sup> General Yu stated that the Generalissimo would like to get General Marshall's reaction to the statement.

After reading the statement General Marshall said that the statement was obviously for foreign consumption and pointed out to General Yu that the Communists most likely would pick up and use for propaganda purposes two points in the release i. e.-1) The fact that

<sup>33</sup> Maj. Gen. Huang Yi-feng was senior Communist member of Team 25.

<sup>34</sup> Late Senator from Louisiana.

<sup>35</sup> Telegram of August 12, not printed; in it General Marshall inquired about "frequent press reports" alleging statements made by Colonel Davis. American member of Team 25, and disapproved these.

<sup>36</sup> Estimated time of arrival.

<sup>37</sup> Chinese Minister of Communications and liaison officer for President Chiang Kai-shek with General Marshall.

<sup>38</sup> Statement was issued on anniversary of Japanese surrender; for English summary, see Department of State, *United States Relations With China* (Washington, Government Printing Office, 1949), p. 649.

the Generalissimo was in favor of promulgating the PCC<sup>39</sup> resolutions—a matter which the Communists have been insisting on ever since announcement of the PCC resolutions. 2) The fact that the Generalissimo stated that the Communists should withdraw from certain specified areas since their forces are a disturbing influence to the people in those areas—a matter which the Communists would protest because the Communists maintain that a Communist regime in those areas is openly welcomed by the people within the area.

General Marshall told General Yu that he (General Yu) could tell the Generalissimo that the statements regarding the PCC would be welcomed by Communists and others, but there were portions that would arouse strong opposition. It appeared that there was insufficient time to alter those portions.

General Yu produced a map showing the situation along the Lung-hai Railroad. General Yu said that Communist forces were attacking all along the Lung-hai railroad. General Yu continued by stating that it seems to be a strange thing that the Communists publicly state they desire peace and yet are engaging in offensive operations throughout North China. General Marshall replied that the National forces had initiated active operations at various points in North China and the Communists were retaliating.

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893.00/8-1346

*Memorandum of Conversation, by the Director of the Office of Far Eastern Affairs (Vincent)*<sup>40</sup>

[WASHINGTON,] August 13, 1946.

Participants: Dr. Wellington Koo, Chinese Ambassador,  
Dr. Tan Shao-hua, Minister-Counselor, Chinese  
Embassy,  
Mr. John Carter Vincent, FE.

I had luncheon yesterday with Dr. Koo and Dr. Tan at the former's residence.

At the conclusion of the luncheon, Dr. Koo handed me his acknowledgment<sup>41</sup> of the President's letter of August 10 containing the President's message to Generalissimo Chiang Kai-shek. Dr. Koo then launched forth into a lengthy discussion of the situation in China, virtually along the same lines as those followed by Dr. Tan in his conversation with me August 10 when I handed him the President's letter. He stressed the difficulties of reaching any agreement with the Chinese Communists because of their untrustworthiness,

<sup>39</sup> Political Consultative Council.

<sup>40</sup> Copy forwarded to President Truman on August 14.

<sup>41</sup> Dated August 12; not printed.



their ambition to gain control of the Chinese Government, and their subservience to Moscow. He emphasized the international angle to a solution of China's internal problem and dwelt on the danger from Russia. His attitude towards the National Government's sharing its present monopolistic control of China was completely defeatist. He did not seem to be able to envisage that the Government would be able to share its present authority with the Chinese Communists even on a limited basis without seriously endangering the governmental structure in China. He concluded by saying that the principal and long-range objective of dealing with the present situation in China should be the prevention of China's coming within the orbit of Russia.

I told him that our policy in endeavoring to promote the emergence of a strong, united, democratic China was obviously calculated to achieve the same objective; that one might debate the methods used but that one could not doubt that our objective was to prevent China from becoming a serious problem in international relations; that the President's statement of December 15<sup>42</sup> had been issued with that thought in mind; and that General Marshall's efforts to promote the creation of a coalition government to bring about political and military unity were also pursued with that objective in mind. I stressed the point that we had hoped that these developments could be brought about under the leadership of Chiang Kai-shek and the National Government. I told him I did not share his fears that a coalition government would mean the end of the Kuomintang as the principal party and political influence in China provided that party was alive to its own responsibilities.

Dr. Koo asked me what the President had in mind in saying that it might be necessary for him "to redefine and explain the position of the United States to the American people". I told him I did not know what the President had in mind but it should be clear to him (Dr. Koo) that, if the present unsatisfactory situation in China continues, the President might find it necessary to make some statement to the American public on our policy, as indicated. I went on to explain that, insofar as I knew, no one had any idea of a reversal or major alteration in the President's policy statement of December 15 and that there was no intention to abandon or "wash our hands" of the China problem. Our interest in the Far East, and its relation to world peace, overshadowed any immediate feeling we might have concerning the inability of the Chinese to settle their internal problems and we would therefore continue to have a profound and active interest in developments there. In what special manner that interest would express itself I couldn't say.

I called Dr. Koo's attention to the fact that his remarks so far had been based almost exclusively on the apparent assumption that Presi-

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<sup>42</sup> *United States Relations With China*, p. 607.



dent Chiang would not be able to give the President an encouraging reply. He again spoke of the difficulties in reaching a solution. I told him I certainly hoped that a solution along lines advocated by General Marshall could be found; that in General Marshall they had the very best this country could afford in helping them seek a solution; and that we meant to stick with them and the problem until it was solved in spite of the present discouragements and difficulties.

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893.00/8-1346 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, August 13, 1946—2 p. m.

[Received August 14—1:20 a. m.]

1306. Initial editorial comment Nanking press on Marshall-Stuart statement<sup>43</sup> generally expresses hope that US will not abandon efforts to obtain peaceful solution of China problem. General recognition that most serious obstacle to settlement is question of local Communist administration and integration armed forces.

Govt *Chung Yang Jih Pao* attributes failure Marshall-Stuart Mission to Communist separatist policy. Paper states "so long as Communists refuse to hand over their troops as well as civil administrations in the present Communist areas to the government there will be no settlement of the nation's problems". This paper suggests that statement may be forerunner of additional statement indicating a turn for the better in current situation.

Independent *Hsin Min Pao* expresses hope that work of mediation will not end with statement. Paper suggests that as Communist troops withdraw from specified areas, special teams composed representatives various political parties and groups proceed these areas to supervise popular elections of local governments. At same time Central Government is to be broadened to include representatives all parties and groups.

This paper remarks that statement reveals difficulty confronting mediators but not their opinion of the difficulty.

CC<sup>44</sup> clique *Ta Kung Pao* accepts statement as final warning to entire Chinese nation and opposition of causes obstructing peaceful solution. Paper suggests that problems of local administration in areas evacuated by Communists be handled by political affairs commission to be established within Executive Headquarters. Paper advises Government show greater tolerance and allow those areas which Communists evacuate maintain administrative system somewhat different from that of central government areas until new

<sup>43</sup> August 10, p. 1.

<sup>44</sup> The Chen brothers, Li-fu and Kuo-fu, prominent Kuomintang members.

arrangements can be decided upon after promulgation of a constitution. Same paper points out that mediators have support of entire Chinese people and resolutely urges them not to abandon their efforts.

Army *Ho Ping Jih Pao* attributes stalemate to lack of sincerity on part of Communists. Paper accuses Communists of dilatory tactics which permitted negotiations to rage on for months without concrete results.

Independent *Ta Tao Pao* expresses belief that hopes for peaceful settlement are slim. Paper quotes unconfirmed reports that General Marshall will return shortly to US to submit report on China situation and that Dr. Stuart will proceed Peiping transact unfinished business Yenching University; if these reports true, it is possible for situation deteriorate still further. Paper points out however that if both sides exercise forbearance for sake of nation, ways of peaceful settlement can still be explored and expresses hope that American mediators will continue labors for peace and unity in China. Same paper quotes spokesman of Communist Delegation to effect that no further concessions can be made by Communists.

Independent *Hsin Min Wan Pao* quotes Lo Lung-chi, spokesman of Democratic League, to effect that failure Marshall Mission was not unexpected and that time has come for America to reconsider her policy toward China and that if US insists on carrying out President Truman's statement of December 15 civil war will be stopped. Lo Lung-chi reported to have added that US should be responsible for checking strife in China because portion of troops engaged in fighting equipped with American weapons and it is moral obligation on part of US to see that these weapons are not used for internal strife.

All comment reflects Chinese appreciation seriousness of situation, the smallness of the area of dispute and adopts position that problem is not insoluble. Although Government press holds Communists solely responsible for impasse, no accusations to date of Soviet-Chinese Communists ties and problem is considered as purely Chinese. No indications resentment of American intervention. In fact, some comment implies need for stronger American action in situation and Chinese chagrin that solution has not been found.

All papers at present speculating with regard to content Gimo's statement promised for August 14 which, it is held, will have important bearing on present situation. Messages from Kuling published in local press refrained from comment on statement but reiterated previous announcements of Government determination to solve problem by political means and to pay close attention to economic situation.

STUART

893.00/8-1346 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, August 13, 1946—4 p. m.

[Received August 13—7:20 a. m.]

1309. General Marshall's and my statement of August 10 has had, among others, the effect of stimulating President Chiang to issue a statement also which is due to be released for publication at 8 a. m. Nanking time August 14.

Whereas, I am sorry that in some respects he did not go further, nevertheless, I feel that issuance of this statement is a helpful occurrence at this critical stage of our negotiations. Summary of text follows.<sup>45</sup>

STUART

Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter to General Marshall*

[WASHINGTON,] August 14, 1946.

97428. This message is dispatched solely to make sure that you are kept up to date as to current thought here on United States-Russian relations. Its only purpose is to give information and background which may be useful.

[Here follows a War Department summary of a State Department estimate of world-wide Soviet aims and intentions.]

(4) War Department OPD <sup>46</sup> summary: As to current OPD planning estimate in which [you] have expressed interest in the past, it is in summary as follows:

The obvious Soviet aim in China is to exclude U. S. influence and replace it with that of Moscow. The major concern is that, should the U. S. for any reason or reasons withdraw from China, the result would be a triumph for Soviet strategy in an area of global importance. Soviet intent, obvious from their current propaganda campaign, is to discredit U. S. activities in China with the hope of creating public clamor in the U. S. for withdrawal of all troops and cessation of U. S. efforts in China, such clamor incidentally establishing a base for diplomatic leverage on the U. S., particularly just now in Paris on Mr. Byrnes.<sup>47</sup> There has been press comment in the U. S., increasing since the recent statement of difficulties issued jointly by General Marshall and Ambassador Stuart, that if General Marshall's

<sup>45</sup> Telegram No. 1310, August 13, 5 p. m., not printed; but see *United States Relations With China*, p. 649.

<sup>46</sup> Operations Division, War Department General Staff.

<sup>47</sup> Secretary of State Byrnes was attending the Paris Peace Conference.



mission fails, the U. S. must revert to the status of an interested bystander rather than that of an active participant in Chinese affairs. Our exclusion from China would probably result, within the next generation, in an expansion of Soviet influence over the manpower, raw materials and industrial potential of Manchuria and China. The U. S. and the world might then be faced in the China Sea and southward with a Soviet power analogous to that of the Japanese in 1941, but with the difference that the Soviets could be perhaps overwhelming[ly] strong in Europe and the Middle East as well.

The great difficulties in attaining our objectives in China are well recognized. However, we should preserve a position which will enable us effectively to continue to oppose Soviet influence in China even though internal strife continues. It is felt that failure to maintain this position would have the gravest effect on our long-range security [interests]. End of OPD estimate.

I will continue to follow the development of official thinking vis-à-vis Russia and report same to you periodically.

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall, General Chou En-lai, Mr. Robertson, and General Yeh at No. 5 Ning Hai Road, Nanking, August 15, 1946, 10:45 a. m.*

Also present: Colonel Caughey  
Mr. Chang

GENERAL MARSHALL: I am leaving at 1:30 for Kuling. I wanted to find out if there was anything you had to say to me before I saw the Generalissimo.

GENERAL CHOU: I read the Generalissimo's statement in the evening of day before yesterday as well as yesterday and it appears that in this statement the Generalissimo has said everything he wanted to say. The terms put up do not differ from what he had brought forward the last time to you and Doctor Stuart in Kuling. This is my initial impression.

Furthermore, the Generalissimo threw all the blame on the Communists as if the Government has entered into all the agreements for the past six months and the responsibility for obstructing those agreements rests entirely with the Communist Party. In addition to that, he threw all the blame on the Communist Party for the economic crisis, for the suffering of the people's livelihood and the degradation of Chinese international status since the Japanese surrender. Everybody who knows history well can find out that his charges do not correspond to fact. As to the concrete terms he put up, he said that

in principle the Government still adheres to the cease fire agreement, the PCC resolutions, the restoration of communication and army reorganization agreements. Actually these agreements have not only been violated by the Government during the past six months but also even during the negotiation that was conducted in June; despite the fact the Communist Party made many offers with a view to completing the agreements. The Communist Party made many concessions but the Government refused to sign the new proposals. Since the end of June the Government raised new demands which are entirely contradictory with the past agreements.

Take the case of the local administration. It was expressly specified by the PCC resolutions that dispute over the local administration should be settled by consultation *after* reorganization of the Government. Certain clauses were decided upon by the PCC as a guide for the settlement of those disputes and the Government, apart from refusing to sign the four papers the Committee of Three prepared in June, raised new demands. Therefore we can see that the main spirit of the Generalissimo's statement points toward civil war and dictatorship. The way he threw it in front of us is simple: Either we give up the places he demanded; or he would refuse to continue negotiation. That is a policy of civil war and it is expressed in such a tone that if we do not accept his terms he would resort to fighting.

As to the political aspect, he announced outwardly that he would call the National Assembly at a definite date, that he would reorganize the government and carry out the joint platform of the PCC. But, seeing that the civil war is still going on, the Government would not negotiate with the Communist Party. So, they want to go ahead unilaterally with their own measures. In this way they would announce the congregation of the National Assembly. The Generalissimo further suggested that all kinds of suggestions regarding the Constitution could be put before the National Assembly. This is not in keeping with the PCC resolution which prescribed the way of revising the Constitution. So, in the political aspect, the Government is also taking unilateral action. Just as before—the basic policy of the Government has been decided and the policy is fully expressed in this statement.

As to the Communist attitude, it is still this: We are for a truce and we would not put new terms forward to bring about a truce. We are at any time willing to accept a truce. At the same time we are willing to sign the four papers prepared in June as soon as the Government is willing to cease fire.

As to political matters, we still hold to the opinion that the Government should be reorganized in accordance with the PCC resolutions. Of course we might hold a pre-discussion on Government reorganiza-

tion first between the two parties with the participation of Doctor Stuart and when a basis of agreement has been found the other parties could be consulted and then the whole platform would be passed by the Steering Committee of the PCC as a matter of formality and the Government may be reorganized. During the discussion we could also talk about the local administration problem, and after the government reorganization we may call a unified national assembly in the spirit of unity. This is our attitude and we adhere to that attitude.

It is true that, apart from the question of local administration, there are still one or two points not settled in connection with the four papers we have prepared in June but, if the Government is willing to announce a cease fire immediately, then we may immediately iron out those small differences. It is high time now to solve this dispute. No delay should be permitted because the fighting is growing larger and larger. Soon it will be completely out of control and leave no room for mediation.

The Government is prepared to launch a general offensive in the coming three months; August, September, October and if it is to be stopped, it should be stopped now. Otherwise the fighting will become of intensified nature.

As to the mediation and since the publication of the statement by you and Doctor Stuart, we feel somewhat worried because if the matter is stalled then we can expect no results. I have talked lengthily with Doctor Stuart on this point. I don't want to go into detail on that discussion. I merely want to emphasize that under the present situation, while on the one hand there is the fighting and on the other hand there are the negotiations, it appears exceedingly hard to accomplish anything. It is my opinion that while we may, under all conditions, make our best efforts for negotiation, it is indispensable to have a general cease fire order issued. If the idea of the Generalissimo should be put into effect, that unless those places are occupied by the Government troops by force he would not feel safe, then the negotiation can certainly be dispensed with because, under such conditions, we do not have peace but only war.

Many neutral papers, such as the *Ta Kung Pao* and others, subscribed to the idea that an unconditional truce should be effected right now. As to all the other disputes they can be settled by negotiations. Even the case of local administration will have to be settled by popular election. As to the procedure of popular election, that can be discussed and we may set a limit to bring the discussion to an end. At present it is true that the American position as a mediator is being placed in an exceedingly difficult position. This does not imply that nothing can be done, if they believe that we can reach a truce by negotiation. That is also the tendency of public opinion in China.



There is one fundamental conception that I wish the American side will have cleared in their mind. It is not our purpose that, after the cease fire, we would retain all those areas now being controlled by the Communists for ourselves permanently. We want true democracy to be initiated in those areas. The principle of the Generalissimo appears to be to keep those areas in his control for himself and he would not feel secure unless he could get control of those areas by force. This is a fundamental conception in connection with the negotiations.

We are of the opinion that should the fighting and negotiation take place at the same time, the negotiation is bound to be fruitless. Therefore, we hope that the American side, and particularly you and Doctor Stuart would take active measures to bring the negotiations to some positive result. This is the best course we can pursue. I have also conveyed this idea to Doctor Stuart.

**GENERAL MARSHALL:** I will take a draft of your statement to Kuling and go over it with the Generalissimo unless you have objection.

**GENERAL CHOU:** No objection.

**GENERAL MARSHALL:** The portion of your statement which referred to the fundamental conception of the Communist Party as to those areas which they now occupy is rather obscure in my mind. I am confused as to the status of those areas from which the Communist Army troops were to withdraw. Will you please clarify that point?

**GENERAL CHOU:** Our fundamental conception and the Generalissimo's on this question is different. According to the Generalissimo's conception, the Communist forces should withdraw from those areas and consequently the local administration should also be taken over by the Kuomintang authorities. This is the way of monopolizing the new area as an area of its own. Our conception is different. We approach this question from two angles.

First, regarding the military which we discussed in June in connection with the troop disposition. You will recall that it is impossible that after army reorganization, the troops will still garrison so many places as it does now. It is not possible because the army strengths will be reduced. With a view to giving assurance to the Generalissimo that China will be brought to order politically and that the military threat will be eliminated, we subscribe to the idea that troops should be concentrated to certain localities for training during the period of reorganization and integration. Therefore, we also agreed to vacate certain areas by the Communist troops as well as by the Nationalist troops. This is our conception. You are also aware that the Generalissimo at the very beginning disputed the idea that the disposition of the Nationalist troops should also be determined. When discussing the supplementary agreement to the army reorganization

plan we were ready to discuss the disposition of the Communist troops. This was a concession on our part by which we hoped for assurance from the Generalissimo that discussion on the disposition of the Nationalist troops would be held later on. This was a decisive concession on our part. At that time, for example, we gave this concession that instead of three and two divisions in North Kiangsu, in the two phases respectively, we agreed to reduce it to two and one divisions. We also agreed to vacate our troops from the Tsinan-Tsingtao railroad; to vacate Jehol south of but excluding Chengte; and to retain only three divisions to be concentrated at three points. This is our conception of troop disposition.

Second, we approach this question from the question of local administration. In our areas, popular election has been held regardless how wide that basis is. We could not adhere to the principle adopted by the Kuomintang merely to make appointment by the higher authority. If it is challenged that the popular election was not conducted on a wide enough basis, then reelections could be held. Also it was previously agreed that the election laws would be determined after the government reorganization. Now we are ready to discuss that phase before the government reorganization so that some definite measures can be worked out. Since the Generalissimo announced that he is willing to carry out the joint platform, we think that this would certainly be agreeable to him. Therefore, under the direction of the reorganized government, reelection can be held in those areas garrisoned by the Communists where popular election had been held previously. These areas would therefore be made even more democratic in nature. We cannot reconcile ourselves to the idea that the popularly elected governments in those areas should be abolished and that the areas be taken over by the one party authority. This would constitute a breach of one of the PCC principles. Once that principle is broken every other principle of the PCC will be broken. There will be no proper foundation of execution of the other resolutions.

The conception of the Generalissimo is different than ours. He views every place as "his" only when they are put strictly under his own control. He does not believe in the popular election after government reorganization. He does not accept the idea that the local administration should be determined by the people themselves and that it should be free from military interference. He only believes in controlling an area by force and only when he knows that that area is in his hands. Therefore, unless we yield to his demands, he will resort to force. This is an idea of "armed unification" as the Chinese say, and not a unification by peaceful means. This is dictatorship rather than democracy. Therefore we cannot make concession

on this point. This is an issue of the basic policy, that is, dictatorship versus democracy. I wish to repeat that we welcome any discussion under the principle of democracy as to how election should be held and how the local self-government can be initiated. On that basis we are willing to discuss.

**GENERAL MARSHALL:** Your comments regarding the necessity for continuing negotiations and also regarding the present difficult position of the Americans in such a negotiation leads me to a discussion of the An-ping incident, its consequences and its probable later consequences. I have had an opportunity since I last saw you to go over the various reports that I received from Mr. Robertson with Mr. Robertson personally, and to hear at length his personal statements of what occurred as he understood it. He has shown me the agreement that was reached, I believe, in the last hour before his departure from Peiping. I wish to go ahead with an endeavor to carry out that investigation on the basis of that agreement. I repeat that I certainly wish to have the team go ahead on that basis of agreement to see if a satisfactory report cannot be arrived at. But I feel called upon to make a very frank statement at the present time, and particularly since General Yeh is here.

I might say, incidentally, that my regard for General Chou in our long contacts since last December, and the similar respect and lengthy contact Mr. Robertson has had with General Yeh, places you two gentlemen in our regard in a rather unique position because we both have faith in you. Much that we have done and have endeavored to do has been based almost exclusively on that faith.

Now, with regard to your statement of your strong belief that the negotiations should go forward, I wish to say that, in my opinion, the actions of General Huang; his public statements; the statements in the English sheet prepared in Executive Headquarters, of which I have a copy here that I will refer to later; and the statements from Yen-an, are calculated to destroy any possibility of my, or Doctor Stuart's, being able to serve any useful purpose in contributing to a successful negotiation. The purpose of the procedure followed is incomprehensible to me, unless it is a deliberate effort to provoke a situation which will result in a civil war, with the possible thought in the minds of those directing the procedure that by this means the civil war will be carried out in the absence of the Americans. I can find no other logical explanation of the procedure which has been followed during the past two weeks in August. While I have expressed the hope that the present agreement just arrived at will lead to a decently conducted procedure of this investigation, I must state now that I have little expectation of that proving to be the case. The procedure, as I gathered, and it is entirely credible to me as indicated by General



Huang's actions, would certainly not encourage the belief that there is any possibility of this being conducted as a genuine investigation. There is every probability that it will be pursued as a basis for propaganda.

I have here an issue of 10 August of news excerpts published by the Communist Branch at Executive Headquarters "For the information of the Communist Branch, Executive Headquarters" and yet published in English and not in Chinese. There in the building of an organization which is supposed to promote a possibility of the peaceful settlement I find statements so extravagant, so evidently on their surface erroneous, and so insulting that it is past my belief as to what purpose could lay behind it except as I have already described. In the last paragraph of a considerable tirade, General Huang says, "Responsibility for the sudden forced adjournment of the meeting and the interrupting of my interpreter's speech should entirely fall on the shoulders of the American chairman. Before he had finished his words, Colonel Davis interrupted again. Thus he used his power as chairman when there was no more meeting or when the meeting was over. Such unfairness and outrageousness is not to be found anywhere in diplomatic history except in past Sino-Japanese diplomatic dealings." That is the end of the quotation. There is much more in here of the same general nature. It is insulting, it is provocative and it is deliberate.

Now I say to you, if you expect me to go along with you in the effort on which I have been engaged since last December there will have to be a complete change of procedure. But the procedure is growing so outrageous that I can no longer continue in silence if it is continued in this investigation. Mr. Robertson told me that he proposed to General Yeh that both Colonel Davis and General Huang be replaced and that was opposed.

Both Mr. Robertson and I were opposed to establishing an investigating team because we feared it could lead to no good and would possibly lead to great harm. We did not vaguely realize how correct was our judgment.

Now what I am endeavoring to make very plain is that, if this same delaying procedure is resumed, I will instantly withdraw the Americans from the investigation. Now just what profit you think the Communist Party will gather from that I do not know. The thing has been heart-breaking to me because it is literally defeating any possibility I have of influencing the National Government to make the very changes that you are so desirous of securing. I have never seen so much "dirt" thrown into such a procedure.

I have not discussed this matter at all with any member of the National Government, and for very evident reasons, because it really amounts to a triumph for them in relieving themselves from any

embarrassment in opposing my efforts to secure a basis for peaceful negotiation. Of course they are well aware of what has been happening and it has probably been repeated to them in more unfavorable colors than I have referred to here. The only hope that I can see is that from now on there is no more misrepresentations, delaying tactics, and efforts to make the procedure practically a farce.

I stand almost alone among Americans concerned in my reluctance to make a public statement of the matter. Dr. Stuart, as you already know, felt that it was demanded. The same has been the case with the Commander of the Fleet, the Commander of the Marines, and almost every other American concerned in an official capacity. The reason I find myself standing alone is purely the intense desire I have had to exerting sufficient influence to bring about an agreement on the part of the Government to a cessation of hostilities. But, as I commented to you the other day, I am being deprived of almost every argument and the Government is being furnished, in its opinion, the justification of all its contentions.

MISTER ROBERTSON: May I say just one word. General Marshall said he stood almost alone among Americans in not advocating a statement at this time. I want to say for General Chou, and particularly for General Yeh, that I also feel that a statement should not be made until it is obvious that it is perfectly hopeless to continue an investigation on a fair basis.

GENERAL CHOU: Regarding the An-ping incident, I have said at the very beginning that it occurred under very complicated circumstances. We have read the report of the American side, the newspaper dispatches and a few other reports I received from our sources. I have come to know that in certain points concurrence can be reached, but on one or two main points there is still a direct diametrical opposition of the reports between the American side and the Communist side. Those two reports refer to first the cause, and second whether the Nationalist troops participated. The Kuomintang has capitalized on this diametrical opposition toward the incident and widely propagandized the matter. Even General Cheng Kai Ming and General Tsai made statements publicly and they furnished materials for the press. Therefore, before any release will be made by General Marshall and Mr. Robertson, the Kuomintang already fully capitalized on this incident.

The more they made provocations on this matter the more complicated the problem become[s], the more suspicion is aroused. Our side said that the Nationalists participated in the conflict but the American side believed definitely that no Nationalists participated. We have a strong suspicion as to whether the whole incident was well planned by the Nationalists. The Communist side gets the impression

that they were attacked by the Nationalists, while on the other side the Marines get the impression they are being ambushed by the Communist troops. General Yeh, on his own accord, also came to this suspicion and when I talked with him last night we both had the same feeling. General Yeh also told me that he does not feel that Mr. Robertson has assumed any hostile attitude to the Communists. At the beginning when I read the message turned over to me by General Marshall, I was somewhat afraid that Mr. Robertson might have some misunderstanding with us. General Yeh told me that it is not the case. Therefore, we have basically the impression that the whole incident was provoked, until now of course it has become a very grave problem.

Next, I would like to say that up to now both General Yeh and myself have received no report on the incident from the local commander except two messages, nor have we any possibility to make contact with the local commanders. This presses us in a very dangerous position. We have asked that we may have the opportunity to meet the local commanders, or that we might bring back their representative to submit a report. Though the American side promised to furnish transportation, the Nationalist branch refused to give safe conduct. Furthermore, that area is just being subjected to new offensive by the Nationalists, and An-ping itself was occupied by them for over 10 days—since July 29th. They may now cover the true facts and have the area in their control.

The Nationalists are probably delaying their own investigation. During the past fortnight they have used every conceivable means to make propaganda to gain the impression that the whole incident was fabricated by the Communists. Thus they may incite the Communists' sentiment and give the wrong impression to the public that we were opposed to the investigation. As a matter of fact, both General Yeh and myself, as soon as we learned about the incident, asked for an investigation. This evidence shows that we in no way would like to see the matter aggravated. On the contrary we would like to see that true light is thrown on the truce. As to the incident itself, its occurrence was very unfortunate.

The factor that the U. S. Marines are in close contact with the Nationalists stimulates great feeling on the part of the Communists. I have referred to that previously and I don't want to repeat it here. In the whole matter the Kuomintang has played its part to make it more complicated.

The relation among the team members is not good. It seems to me that there is some question as to the attitude of Colonel Davis. General Yeh told me that Mr. Robertson gave some evidence that the discussion of the procedure was delayed for four meetings and still



without results. Regardless whether the procedure we proposed was adequate or not, it is a fact that that proposal was not brought forward for discussion. Colonel Davis is opposed also to have his own procedure, nor would he put a proposal forward for discussion. He also refused to let General Huang to speak in the meetings. Originally I was thinking that because General Huang has been cooperating fairly well in the Communications Division, there should be no question of his cooperation in this team. Unexpectedly the situation was bad and Colonel Davis also could not refrain himself from being outspoken sometimes, and could not deal with the matter with an entirely cool head. It seems that he places too much emphasis on the report of the American side. On our part, of course, we have our own report and we of course have to believe our own report, but on the other hand we are still willing to recall the testimony of the American side. This shows that we did not form a conclusion beforehand. Because Colonel Davis has formed a conclusion beforehand for himself, General Huang also felt excited and some arguments started and the atmosphere in the meetings was not very amiable.

Of course some correspondents also helped to deteriorate the situation by misrepresenting reports. The responsibility for this will rest with the correspondents alone. That can be easily corrected. Apart from that I am also aware that the meetings in Executive Headquarters and in the field teams are not conducted in such an orderly manner as in the Committee of Three in Nanking or Chungking. Sometimes they use quite extravagant statements as Mr. Robertson is certainly aware. Not unfrequently the Nationalist representatives use quite unusual statements which made the atmosphere in Executive Headquarters and field teams rather bad. Of course that is a bad example. The Nationalists have also helped in the past six months to sow some bad feeling between the Communists and the Americans. This is possible.

(General Marshall turned the meeting over to Mr. Robertson).

GENERAL CHOU: With regard to the investigation, I share your view that we may encounter greater difficulties if the following two conditions are not recognized: (1) That the Kuomintang is now trying to monopolize the scene of the conflict. They have taken An-ping. They are now planting their witnesses in that part so that the whole act will look like a farce and that may make the matter worse.

(2) We still have no way to contact our own people and to get our own report. So it would be impossible for us to make a judgment only on the basis of testimony made by the other parts. We have no confidence in the testimonies placed by the Nationalist side. We cannot judge what is true or not unless we can have a report from our own side.

The Kuomintang is now preventing us from contacting our own people. We are the only branch which has no facility for transportation. Last night I had a discussion with General Yeh and we all are of the opinion that the matter should not proceed along such a course, so that at the end we will have separate investigations by each party. That makes it very bad.

With regard to your statement that the United States is being placed in a difficult position which was augmented by the An-ping incident, I wish to say that the main cause for this should be attributed to the Kuomintang side because they are making every effort to make the position of the Americans impossible. They are raising their demands every day and of course I also admit that we also place some difficulties before the Americans. However the main difficulties are not placed before them by us.

Americans are now mediating in the present negotiations. On the one hand by recognizing the National Government as the legal government, it provides every kind of assistance to that government. Such a position is of course welcomed by the Nationalists, but because of it the Communists feel very uneasy. From what you just said, that we are aiming to force the Americans to give up their mediation, that is not our purpose. What we are asking for is that the U. S. should stop for the time being to render such unilateral assistance and that it assume an even fairer attitude in the mediation by stopping such assistance. That would increase the prestige of the Americans and make their role of mediation easier.

For example, at the time when General Marshall first came to China, we forgot about the dispute on the right of acceptance of surrender because we wanted to start on a new and fair basis, but now because of the assistance given to the Nationalists, we have to take those factors into consideration again. Just to cite one example. During the time of the Japanese surrender the Nationalists sent 40% of its strength to fight against the Communists, now it sends 85% of its strength for that purpose. This shows the difference.

As regards the An-ping incident, I hope sincerely that Mr. Robertson and General Yeh on coming here would fully grasp the gravity of the situation and they will therefore redouble their efforts to secure cooperation among the Executive Headquarters members to bring the investigation to a successful end. I admit that the present relation is not a normal one because fundamentally we seek cooperation with the U. S. and we do not want to be pushed into such a position that we are in the position of opposition to the U. S. That is the purpose of the Nationalists and we cannot expect the Nationalists would change their attitude. I hope that the Americans in the position of mediator will conceive every possible means to improve that relation.

Now, lastly, I wish to express my thanks to Mr. Robertson for providing the facilities for General Yeh to come down and that I have been able to see Mr. Robertson so that he could hear my statements. Also I wish to thank you for your efforts during the past seven months. I realize that the position in Peiping is even more difficult than ours here because you are confronted with much more trouble and headaches, but I have firm belief that you will make every effort to restore China to a peaceful position.

**MISTER ROBERTSON:** General Chou has raised several points which of course can only be answered by General Marshall, but I would like to make a short statement with regard to the An-ping incident.

For seven months General Yeh and I have worked in harmony in Executive Headquarters. However controversial the questions which have come up between us, I have always found him to be reasonable, objective, practical and cooperative. I value his friendship and I value our official relationship. Now this situation has been a very distressing one to the American Branch. We are in a position we have never been in before. Heretofore our role has been that of an objective mediator trying to implement decisions which the two Chinese parties have made between themselves. There has been no question of partiality. Now we find ourselves, whether we are willing or not, being put in a position of opposition to the Communists and it was for this reason that I was very much opposed to Executive Headquarters getting involved in this incident between the Marines and the Communists. Neither General Yeh nor I have attended any of the team meetings. It is natural that he should believe the reports of his representatives. I believe the reports of our representatives.

Colonel Davis, among our 36 team captains had one of the most cooperative records, according to all reports. He was particularly fond of his Communist representative and if he leaned in partiality it was to the Communist side because of his personal admiration for this representative. Now the information which General Chou has given with reference to the proceedings does not conform to the information which we have in the American branch. I could well understand that differences would arise, but whatever the differences involved, I could not understand the propaganda and criticisms—very unjust criticisms—being made against the Americans at the time the conversations were taking place. For instance General Huang has intimated that the Americans would not discuss procedure. That is absolutely contrary to the facts from our standpoint.

The directive for the team was issued on August second. The Captain of the team ordered to make the investigation could not serve on [it?] because of illness. We appointed Colonel Davis in his place. He tried to have a team meeting on the afternoon of the third, the first



day the team had been organized, but couldn't get the members together. A meeting was called for August 4th at 11 o'clock. The Communist senior representative did not appear. He sent a subordinate. When questioned, the subordinate had no credentials and said that he could not act for General Huang. Colonel Davis said this was a very important meeting. It was the first meeting of the team. It was an organizational meeting to decide upon procedures and no action could be taken without an authorized Communist representative. The subordinate was sent back to find General Huang and convey that message to him. He did not reappear and after waiting for over an hour that meeting adjourned.

I see in this official Communist article from which General Marshall read the statement that the Communist representative, General Huang, was not invited to attend the meeting until two days after the team had been formed. On August 4th, the date of the meeting which the Communist member would not attend the Communist Official News Agency carried the statement that the Communists were pressing for the investigation of the incident and it was being delayed by the American and the National Government branches. As to the discussion of the procedures, when the team convened on Tuesday morning, August 5th, (That was the first day that the Communist representative had attended) General Huang took the floor and made a very long statement. He said that this was an international incident, and that they would have to proceed on that basis. Interviews would first have to be made with General Rockey of the Marine Corps, then of General Sun, Commander of the 11th War Zone, and then of the senior Communist commander, unnamed and unidentified. Fourth, which has been the real crux of the disagreement, that no witnesses could be called to testify unless it was unanimously agreed beforehand by all three sides that such witnesses could be heard.

When he elaborated on this point it produced a deadlock as far as the American Branch was concerned. I am talking of the American branch only, not of the National side.

General Huang said that no American could testify because he would be prejudiced. He said that no civilian could testify because it was a military matter. He said that no Marines could testify who participated in the conflict for the same reason (they would be prejudiced).

Colonel Davis would not accept that. The American branch could not accept it. On August 2nd when the directive was issued to organize the team, I gave General Yeh a memorandum asking safe conduct for the team to go into Communist territory to interview the Communist commander. I asked him to name the date, the hour, the place and the commanders whom the team was to see and to do that not later than noon, August 5th. Thus the statement that has been reiterated

in the past and which you repeated here this morning, to the effect that there was intent to exclude the testimony of Communist witnesses is without foundation of any kind. To the contrary I stated to General Yeh when he first expressed the fear that the National Government would stop the investigation before the Communists could be heard, "General Yeh, no American worthy of the name could participate in such an outrageous procedure. We would not only permit your witnesses to testify, we would fight with you to see that they did testify." We, of course, have never even considered a position which did not provide for all three sides being heard. I cannot emphasize that too strongly.

The safe conduct pledge was not received from the Communists until August 6th. We could not go into the field without a safe conduct pledge. We were waiting for a reply as to the name of the commander whom the team should interview. During that interval, Colonel Davis proposed, while we were awaiting for the safe conduct guarantee, that the team hear the testimony (1) of the three members of the Executive Headquarters who were passengers in an Executive Headquarters car in the convoy and (2) the Marines who participated in the conflict. They were then present in Peiping and immediately available. If they should be transferred or become ill their testimony might be lost to the team. General Huang insisted that his procedure must be adopted and that no witness could be examined except by unanimous consent of the three sides. After this had been going on for many hours it was reported the team was in deadlock and the question was referred to the Commissioners.

At Commissioners' meeting, passing over the argument about procedure, it was decided to send the team to the scene of the incident and then take testimony. It was agreed the team should leave the next morning at 9 o'clock, each branch to so inform its own members. At 9 o'clock the National Government member appeared with his three representatives, the American member appeared with three, but the Communist member insisted upon taking 9. Colonel Davis had previously advised that transportation could be furnished for 3 members each. General Huang took the position that the teams are usually made up of 12 and 9 was therefore a reasonable number. That was a detail, however, which offered no problem.

In addition, General Huang said he would not go until it was decided what the team was to do when it got there. Colonel Davis then reported the Communists' refusal to leave as ordered. I immediately consulted General Yeh. After long conversation lasting until 1:30, he finally agreed to instruct his members to leave with the team that afternoon. (General Huang and Colonel Davis attended our meeting and there was considerable discussion of the difficulties exist-

ing between the American and Communist members and of their different viewpoints.) The team finally left for the scene of conflict at 2:30.

The three members of Executive Headquarters who were passengers in the convoy were taken along to identify the exact terrain where the conflict took place. However upon arrival General Huang would not hear them. He also refused to hear the testimony of the local witnesses who were presented. He proposed instead that the team go over in Communist territory and interview the Communist commander and personnel. The National Government member refused to do this but stated that he would send for those witnesses and record their testimony if General Huang would allow these witnesses then present on the ground to testify at the same time. General Huang again refused and the team returned to Peiping without having heard a single witness. The team deadlock continued in Peiping, with the same arguments back and forth. I sought a private interview with General Yeh and suggested that he put a stop to General Huang's tactics so the team could get down to business.

I reiterated that every suggested procedure guaranteed that any witnesses brought forward by the Communists or any other side would be heard. We should therefore hear these eye-witnesses, get them out of the way, and proceed with the investigation.

We had a 2½ hour discussion and finally reached, I thought, a complete agreement on the procedure to be followed. As soon as it could be typewritten it was sent to him and the National Government Commissioner for their signatures. General Yeh and General Chen Shih-chu came to my house for dinner that night. We had a gay time. Certainly I enjoyed them very much. The next morning I was very much surprised to find that General Yeh had failed to sign and return the agreement sent him the preceding evening. The National Government Commissioner, who had not been consulted by us in drawing it up, signed and returned it immediately. The agreement specified the witnesses to be examined and contained a provision making it imperative to examine any witnesses which each side considered necessary to establish the facts directly related to the incident. It seemed to be all inclusive. Not hearing from General Yeh, we telephoned him and were told that he could not be reached until 12 o'clock. At noon we were informed that he had the matter under reconsideration. About 4 o'clock in the afternoon he came to see me bringing an entirely new proposal. It incorporated the things which we had agreed upon the previous afternoon but it contained new proposals which had not been discussed and which seemed to me to be entirely unreasonable. I insisted to General Yeh that unless the document sent him for his signature failed to incorporate all of our



agreements or omitted any, he should stand behind it because it had already been signed by the National Government Commissioner. His reply was that he wanted to make it more specific. It was for this reason that he had added the additional proposals: (a) to interrogate and record the testimony of the commander of the National Government unit which took part in the conflict; (b) to interrogate and record the testimony of the National Government enlisted witnesses who participated in the conflict; and (c) to interrogate and record the testimony of Major Freese and Mr. Duke, American Headquarters personnel who had participated in the activities of the Marine armed patrol. I pointed out that while the Communists alleged that National Government troops had participated in the conflict, both the National Government and the Marines emphatically denied that they had done so. To determine the truth or falsity of this allegation was one of the things to be determined by the investigation.

He was proposing that we write the procedure agreement in such a way that it would state as facts the principal things which were in dispute. I proposed as a substitute (which has now been agreed upon) that: "Interrogate and record the testimony of the commander of the Government troops and personnel whom the Communists alleged to have participated in the conflict." We talked for two hours, during which General Yeh insisted the Communists considered the point very important and suggested that we further consider each other's viewpoints and have another meeting.

The point I want to make clear, without any possibility of misunderstanding, is that the Americans are just as anxious and just as insistent that the Communist witnesses be heard as the Communists are. No fair minded man could wish to conclude an investigation of a disputed incident after hearing only the testimony of one side. From every standpoint of equity and justice such a procedure would be unthinkable. I cannot imagine anyone but a moron participating in such an obvious fraud. I would fight just as hard as General Yeh to see that anyone the Communist side wished to present would be heard.

I am distressed at this situation. In seven months I have never had a heated argument with that gentleman over there (General Yeh). Until now I have never had occasion to criticise his actions. I have often expressed praise and admiration for him.

I am disturbed by what has happened and worried about the unfortunate outcome of the investigation to date. I, of course, believe our men and you believe yours. We now have an agreed procedure but unless we can get the job done without further bickerings over trivialities, the investigation might well do infinitely more harm than good. I therefore suggested to General Yeh that both your repre-

sentative, General Huang, and our representative, Colonel Davis, be replaced in the interest of harmony.

GENERAL YEH: You have just made a statement explaining the whole course of incidents as you saw it. Of course there are some points which differ with my understanding but I would not go into details here.

But, with regard to the last of your statement, I wish to say that since Team 25 has reached an agreement on the procedure, it would be advisable to let them continue to work for the time being, hoping that the representatives will correct their attitude and make replacements unnecessary. In case the facts prove that they cannot continue their work, we will then consider their replacements. I understand your hope and will take pains to impress the representatives in the spirit of cooperation.

GENERAL CHOU: I was informed of the matter through reading the message you sent to General Marshall and which he read to me about the course of the incidents. I thank you for the statement you have just made and I also decline to go into the trivialities of the matter. I think the main issue we now have before us is first with the problem of procedure. In the past there was difference of opinion on that point and now after understanding each other and reaching an agreement these have been straightened out. Of course during discussion there were some hurt feelings but, since the problem has been fixed, I hope the program will be adhered to and we can go ahead with that procedure of recording testimony of the witnesses.

I want to state that so far the Communist side has not established contact with Communist local commanders. Therefore it is difficult to designate the time and place that the commanders may meet. Only after establishing such a contact can they determine the time and place of the rendezvous. As the matter now stands the Nationalists are continuing to attack the Communist forces in that area. While it is easy for the Nationalists to meet their appointments between Peiping and Tientsin, it is hard for the Communists. If they make a point too far away it would be inconvenient. Therefore I hope that the Communists may first have a liaison man to arrange and make the appointment and thus expedite the appointment.

Regarding the situation in An-ping. I hope that you will recognize the fact that after the occupation of An-ping the situation has changed with regard to the scene of conflict and it would therefore be fair only if the Communist personnel who were evacuated from An-ping can be allowed to present their case. Only by comparing the two different testimonies could we reach a fair and objective conclusion.

With regard to the replacement of the team representatives. General Yeh has just voiced his opinion in disfavor to the suggestion, and of course I fully realize why you brought up this question with the good intention of improving the relationship among the team members. I will consider it again and I will have another discussion with General Yeh before making a reply.

MISTER ROBERTSON: As to transportation for the Communist liaison officer to contact the Communist Commissioner, General Yeh asked me would we furnish it and I said certainly. We kept a jeep waiting two days for him.

We, of course, must arrange to hear the Communist commanders and whatever witnesses they wish to produce before we can consider our program is completed. We will join with General Yeh in insisting that these liaison contacts be made.

You raised another question about hearing the testimony of the Communist personnel who evacuated Anping. The provision in the agreement—one that was proposed in the beginning on the American side—that each Branch may call whatever witnesses they consider necessary in order to establish the truth, would provide for this. There can be no misunderstanding—anyone whom the Communists think would contribute to establishing the facts would have to be called. We couldn't establish the facts to anyone's satisfaction by hearing only one side.

GENERAL CHOU: I wish to call to your attention the case of Tsining. You will remember that at that time we wished to determine whether Tsining was in the hands of the Communists or Nationalists on the day of January 13. The American member raised the question that they could not make the investigation unless the city itself was evacuated by the troops. Now we have an opposite example in Anping. Therefore the Communist claim is not without precedent. I merely called your attention to that.

MISTER ROBERTSON: Much water has gone over the dam since January 13th.

Meeting adjourned at 1430.

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893.00/8-1546: Telegram

*The Chargé in the Soviet Union (Durbrow) to the Secretary of State*

Moscow, August 15, 1946—noon.

[Received August 15—7:58 a. m.]

3202. Printed document has been received by British Embassy here from London containing report of British Ambassador at Nanking regarding conversation with Chou En-lai, Communist representative



at Nanking. Chou reportedly complained to Ambassador of American interference in China and support of KMT.

He was said to have suggested that Ambassador recommend to Bevin <sup>48</sup> that Bevin and Molotov <sup>49</sup> call Byrnes to account for violation of Moscow Foreign Ministers Agreement on China.<sup>50</sup>

Repeated to London 344; Paris, 303.<sup>51</sup>

DURBROW

893.00/8-1546: Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, August 15, 1946.

[Received August 15—9:30 a. m.]

1322. Yenan *Emancipation Daily* in August 14 editorial entitled "Seven Months Summary" comments on Marshall-Stuart statement and launches violent attack against Chiang Kai-shek, American policy in China, and General Marshall.

Editorial states: "In fact General Marshall's efforts have not only failed but civil war today has grown bigger in magnitude and ruthlessness than 7½ months ago.["] Editorial alleges that before Marshall's arrival 45% National Government forces engaged against Communists: this force now augmented to 85% total force. Before Marshall's arrival Chiang Kai-shek had 39 American equipped divisions but now he has 57 such divisions which have all been thrown into civil war in addition to air force and navy formed by American planes and American vessels.

Editorial refers to agreements already reached but states that after April impossible reach new agreements or maintain old agreements because of "actual daily increasing aid of all kinds to Chinese reactionary clique by American imperialistic elements. The more there was of such aid the more Chiang Kai-shek became unbridled and the more General Marshall sank in his eyes." With regard to issue of local governments, editorial points out that question is clearly political issue and that PCC resolutions provide that "disputes should be settled through political means and local governments about which there is dispute in recovered area should preserve status for time being until reorganization of National Government when disputes can be settled through application of clauses 6, 7 and 8 of political section of administrative program". Editorial points out flagrant violations cease-fire agreements and decisions of Moscow Conference that General Mar-

<sup>48</sup> Ernest Bevin, British Secretary of State for Foreign Affairs.

<sup>49</sup> V. M. Molotov, Soviet Minister for Foreign Affairs.

<sup>50</sup> Department of State *Bulletin*, December 30, 1945, p. 1030.

<sup>51</sup> Repeated to the Embassy in China in Department's telegram No. 611, August 15, 4 p.m.

shall could only declare his inability to settle matters. "It is really difficult to fathom degree which General Marshall's position in January [apparent omission]."

Editorial states that previous agreements have been violated by five new government demands on August 5<sup>52</sup> which were "mortal blow to peace efforts". Editorial questions, "Why did Chiang Kai-shek who is submissive to will of American dare to undermine peace efforts of General Marshall". Editorial states in reply that "Fact however does not lie in Chiang Kai-shek's daring to do so but in United States Government itself undermining work of General Marshall". State Department is then accused of encouraging anti-Soviet, anti-Communist and antidemocratic movement of reactionaries Kmt and fostering transportation additional Kmt forces North China, additional naval aid even in excess of "those transported when Hurley,<sup>53</sup> Wedemeyer<sup>54</sup> and other reactionaries were in power." It is stated that, although no substantial American loan has been extended to China during 5 months, materials amounting to 1.3 billion dollars gold have been supplied Kmt through State Department and Navy. Reference is made to presence "two United States fleets" in North China, military aid bill and that "United States Marines have staged many provocative acts against Eighth Route Army acting as vanguards of Kmt. Editorial concludes from this that "it is clear that American imperialist elements are unscrupulously assisting Chiang Kai-shek to fight civil war to hasten degradation of China into American colony." Editorial goes on to say that Chiang Kai-shek with active American military aid holds all peace proposals in contempt. "Sly Chiang Kai-shek cannot but discern two policies of United States; one is to assist Chiang to fight civil war which is a basic one and other is to persuade Chiang to stop fighting which is only a sight [side] show for mere window dressing."

"General Marshall himself is not above blame for failure to cease hostilities in China. Before General Marshall's return to United States in March, his prestige was high because he was at that time, generally speaking, impartial. He stood firmly for principles of peace and democracy and his attitude toward die-hard elements was one of censure. Unfortunately this did not go beyond one or two verbal censures while he did not mention single open word against reactionaries in American Marines who acted in unbridled manner nor contrary he did not make slightest attempt to stop actual aid to Kmt reactionaries by reactionaries in America which went on under

<sup>52</sup> See despatch No. 33, August 7, from the Ambassador in China, vol. ix, p. 1465.

<sup>53</sup> Maj. Gen. Patrick J. Hurley; for his mission to China, see *Foreign Relations*, 1944, vol. vi, pp. 247 ff.

<sup>54</sup> Lt. Gen. Albert C. Wedemeyer, Commanding General, U. S. Forces, China Theater, October 1944–April 1945.

his very nose. Every time Kmt reactionaries raised new demands which violated former agreements he did not fight for complementation of concluded agreements but started again to 'mediate'. This only made Kmt and American reactionaries more unbridled in their actions while Marshall's prestige sank the more." General Marshall is then accused of further transport of Kmt troops to North China and Manchuria in face Communist protest and with knowledge that China "is determined to exterminate Communists".

Editorial continues that "step by step American reactionaries have helped Kmt reactionaries from transporting troops to equipping them, and collaboration in fighting during which Marshall gave them free hand. Step by step Kmt reactionaries have raised their demands. In this way, 7½ months of 'mediation' have produced large scale civil war in China. People cannot but wonder United States Government sending envoy to help during [apparent omission] about four important agreements and then helping Chinese reactionaries to treat [*tear?*] them up. They cannot help asking whether this is part of preconceived plan."

It is stated that Marshall can announce failure of his mission, but Chinese people will not allow Chiang to continue civil war nor allow American reactionaries to continue aiding Chiang in civil war. "Without American 'mediation' on one hand and 'aid to Chiang' on other—that is mediation in name and aid to Chiang in essence—and if Chinese people were allowed to go their own way, China would long ago have attained independence, peace and democracy. Chinese people strong enough to solve own problems. Erroneous policy of United States has brought about largest civil war in China's history."

Editorial concludes that "Not only Chinese people but people of United States and whole world and the two other powers of Moscow Conference <sup>55</sup> and all peace-loving members of the United Nations will also not allow United States Government to evade its responsibility after bringing about this civil war." Editorial then urges cessation one-sided aid to Chiang and evacuation all naval, land and air forces from China and expresses hope that United States Government will consider this carefully and that it will receive close attention of all democratic people in United States.

Department please repeat to Moscow.

STUART

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<sup>55</sup> Meeting of Foreign Ministers representing the United States, the United Kingdom, and the Soviet Union, December 16-26, 1945.



893.00/8-1546 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, August 15, 1946—6 p. m.

[Received August 15—7:50 a. m.]

1323. Open attack on American policy and General Marshall in *Emancipation Daily* editorial summarized in Embtel 1322 of August 15 indicates to Embassy marked change in Communist attitude American mediation. Although within past several weeks there have been veiled comments in Yen-an broadcasts indicating doubt of success General Marshall's efforts, this is first open attack on him and first time Communists have identified him with American "reactionary elements" and brought his impartiality into question.

Embassy feels that this may well mean that Communists have decided that settlement satisfactory to them is not to be obtained through General Marshall's mediation and may be forerunner to have China problem placed before signatories Moscow declaration or UN as has been rumored recently in press and stated by members Communist Delegation Nanking.

It must also be noted that in its essence, and aside from attack on General Marshall, it is closely akin to Moscow's *New Times* article referred to in Moscow's telegram 3113, August 7, 10 a. m., to Dept.<sup>56</sup> and other recent Moscow pronouncements on situation in China.

Department please repeat to Moscow.

STUART

Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to President Truman*<sup>57</sup>

[NANKING,] August 16, 1946.

1320. DEAR MR. PRESIDENT: The recent statement by Dr. Stuart and myself was to bring both sides, along with the public in China, to a realization of the crisis and impending chaos and to excite foreign and local pressure for termination of hostilities. Apparently it has had something of that effect though interpreted from Peiping by irresponsible or notoriety seeking correspondents as signaling the closing up of Executive Headquarters and my early withdrawal.

We have encountered great and anticipated difficulty with combined investigation of Marine-Communist clash at Anping. Delaying tactics, vicious propaganda, et cetera, have been the order of the day.

<sup>56</sup> Vol. ix, p. 1460.<sup>57</sup> Apparently sent by General Marshall upon his arrival at Kuling August 15 to his headquarters at Nanking for transmission to Washington. Copy transmitted to the Secretary of State August 16 by the War Department.

Finally, on my calling Commissioner Robertson to Nanking and also notifying Chou that I would not tolerate further delays and misrepresentations, an agreement on procedure was reached yesterday, Wednesday. Chou and I, with Mr. Robertson and Communist Commissioner from Peiping conferred today (Thursday August 15) for 3 hours. In fact the conference was still in session without lunch when I left at two o'clock.

I am writing this in a plane en route to see Generalissimo at Kuling, which I left a week ago. He has just received your message <sup>58</sup> because of strike delays, and is pressing me to return.

I have characterized Communist tactics regarding Anping in emphatic terms and served notice on Chou that if delays are resumed I will withdraw the American representative and make a public statement. My delays in taking such justified action has been that it plays directly into the hands of the small group in the Kuomintang Party who are blocking me in my efforts to terminate fighting. Admiral Cooke of the Seventh Fleet earnestly desires me to take public action in defense of the Marines, demanding apology, et cetera, but I have felt that I would sacrifice too much in other direction by doing this, though I may be forced to such action within a few days. The tragedy is that it will virtually terminate Executive Headquarters and result in a general military conflagration.

Generalissimo's last terms to the Communists, transmitted by Dr. Stuart on his return from Kuling last Tuesday, were more exacting than those of June 30 when the final stalemate was reached. I made a very frank résumé of the situation to Generalissimo last Thursday on the afternoon of my return to Nanking, emphasizing the growing impression at home that all liberal opinion in China, particularly of intellectuals, was either discouraged or suppressed directly or by intimidation.

As soon as I see the Generalissimo I will radio his reaction to your message.

G. C. MARSHALL

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Marshall Mission Files, Lot 54-D270

*General Chou En-lai to Colonel J. Hart Caughey*

NANKING, August 16, 1946.

DEAR COLONEL CAUGHEY: May I request your kindness to forward the following message to General Marshall? The message reads:

Learned from yesterday's and today's newspapers that certain elements like Chen Li-fu and Tseng Chi <sup>59</sup> are brewing a forthcoming

<sup>58</sup> See letter from President Truman to the Chinese Ambassador, August 10, p. 2.

<sup>59</sup> Member of the Young China Party.

meeting of various quarters in Kuling discuss in place PCC or its Steering Committee such matters as Government reorganization, National Assembly and draft constitution revision. Perhaps it may even engage itself in anti-Communist tirades serving as declaration of Communist-suppression campaign. Such procedure would constitute complete destruction of PCC and its resolutions. Must voice strong opposition to calling such discussion-meeting and look upon it as Government determination to force national split. Feel obliged to draw your serious attention to this matter.

Your assistance will be appreciated.

[Signature in Chinese]

CHOU EN LAI

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Marshall Mission Files, Lot 54-D270

*Notes of Meeting of General Marshall With Generalissimo Chiang Kai-shek at Kuling, August 16, 1946*<sup>60</sup>

Dr. T. V. Soong,<sup>61</sup> acting as interpreter, and Madame Chiang were present during the interview. The entire situation was discussed by the Generalissimo. In brief, his view was that the Communists were violating all aspects of the truce by offensive operations in Kiangsu, the region of Tatung, and east of Sian. He felt that there was no sincerity in any proposals they made regarding negotiations and that they treat the negotiations as a means of prolonging matters, during which they would gain military advantages. He stated that he felt that they were now working close in hand with the Soviet Government and that they would not seriously carry through with any arrangement which might be reached for the organization of a coalition government, nor could the Government have any assurance that they would cease fighting if a formal order for the cessation of hostilities was issued.

The Generalissimo asked me for my estimate of the situation. I stated that the Communists' view as expressed to me was almost the exact opposite of the view he had expressed. They insisted that the Government had led in the offensive operations and that their reactions were defensive to prevent themselves from being squeezed into a corner. I further stated that the events of the weeks following my final interview with the Generalissimo prior to his departure for Kuling from Nanking had almost exactly corresponded to my prediction at that time. I reminded him that he had stated that he could control the situation in Manchuria and the fighting in North China

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<sup>60</sup> Apparently written about August 18.

<sup>61</sup> President of the Chinese Executive Yuan.



would merely be local; that if I were patient I would see that the fruit would soon ripen and drop into our laps—that the Communists would be appealing to me for a settlement and offer to make the compromises necessary towards such a settlement. I reminded him that I had stated at that time I felt not only would the situation in North China quickly spread beyond control, but that the probability was there would be a resumption of fighting in Jehol and that would immediately relight a conflagration in Manchuria, indicating there would be a general civil war beyond his or Communist control to check, and a catastrophe for China. I also stated that such a catastrophic condition, in my opinion, offered an ideal opportunity for subversive activities of the Communists in spreading unrest and for the Soviet Government in supporting the Communists in a *sub rosa* or in an overt manner if they so desired, which was probable. I expressed the belief that the Government of China had little, if any, prospect of gain by pursuing hostilities at the present time and a very definite prospect of a great loss with the possible collapse of the government and the almost certain collapse of its economy. I outlined the geographical weakness of the position of the Government with long lines of communications and bordering mountain regions which fitted perfectly into the Communist method of fighting. I insisted that the present government policy was, in my opinion, ruinous and that the only other alternative was in effect to swallow the Communist Party—which was too large and powerful to ignore.

I again urged that the Generalissimo agree to the proposal Dr. Stuart had put to him to nominate one or two men to meet with a similar number of Communists, Dr. Stuart presiding as chairman, in an effort to agree on precise terms for the Communists inclusion in a State Council to be initiated as the first step towards the genuine reorganization of the government. The Generalissimo stated that the Communists had declined to nominate any members for such an organization.

I reminded him that this was during Chungking days and that more recently the leaders of the Democratic League had advised me that the Communists were ready to nominate the members, and further that they were changing their views regarding a coalition government in regard to mixed ministries. The Generalissimo said that that gave no assurance it was the view of the Communist Party. I replied that the fact of the matter was very easy to ascertain. He requested me to do so and I sent a message to my assistant, Colonel Caughey, in Nanking to put the question to General Chou which he did the following day.<sup>62</sup> Chou replied in the affirmative, but stated several conditions to be met.

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<sup>62</sup> August 17.

The following morning <sup>63</sup> Dr. Soong called on me and reviewed the conversation of the previous afternoon giving reasons why he felt the stand of the Generalissimo was the correct measure and discussing at length the economic situation. He expressed no faith whatever in the Communist willingness to proceed on a normal basis with a reorganization of the Government.

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to President Truman* <sup>64</sup>

[NANKING,] August 17, 1946.

1334. MY DEAR MR. PRESIDENT: Since my message of August 10 <sup>65</sup> I have had a lengthy discussion with the Generalissimo and a later discussion with Doctor T. V. Soong just completed. While the Generalissimo did not specifically mention your message, <sup>66</sup> his discussion and questions directly related to it.

In brief, he feels that the Communist Party by its recent military actions in the field has openly declared itself to a policy of force. He does not accept my contention that there has been much on the Government side in the way of indications of a policy of force to excite the present military reactions of the Communists. He reiterates much the same statement he gave to me on my departure from China last March, <sup>67</sup> which I read to you and of which the Secretary of State has a copy, to the effect that he had no faith in the Communists' intentions to keep any agreement. He felt that their purpose was purely to overthrow the Government and to install their own control.

Evidently referring to your message, he put this question to me: "If the present Government is broadened by the inclusion of representatives of minority parties and of other individuals of high standing, would that be considered by the United States as bona fide action towards the establishment of a coalition government, if the Communist Party or representatives were not included?" Their inclusion or exclusion might be the result of Government action or Communist refusal to participate unless certain demands of theirs were met. The Communists have been claiming that the government is moving unilaterally to develop a situation where they can claim that the Communists have been given an opportunity to participate and yet the conditions will be such that the Communists probably could not commit them-

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<sup>63</sup> August 18.

<sup>64</sup> Sent by General Marshall from Kuling to his headquarters at Nanking for transmission to Washington. Copy transmitted to the Secretary of State on August 17 by the War Department.

<sup>65</sup> See telegram No. 1320, August 16, p. 49.

<sup>66</sup> See President Truman's letter of August 10, p. 2.

<sup>67</sup> See memorandum from General Marshall to President Truman, March 13, vol. ix, p. 541.

selves to such participation without condoning the continuation of a government of arbitrary powers.

Doctor Soong read to me his draft of a proposed answer to your message. To what extent it will be modified I do not know. It can mean much or little depending on whether or not a renewed negotiation this coming week with Doctor Soong participating along with me can be productive of a basis for the cessation of hostilities.

At the present moment the Generalissimo seems clearly inclined to a policy of force as the only acceptable solution. I have made very plain my belief that no political negotiations are possible while fighting is going on and that the fighting can be terminated unless it is allowed to spread beyond control. I pointed out that a general conflagration virtually invites Communistic expansion and Soviet infiltrations, that the situation here must be considered in close connection with the negotiations in Paris.

This is a dictated statement hurriedly made to catch a plane that is about to leave for Nanking. I will advise you further in greater length following the meeting I anticipate with General Chou and Doctor Soong probably Tuesday.<sup>68</sup>

G. C. MARSHALL

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Marshall Mission Files, Lot 54-D270: Telegram

*Colonel J. Hart Caughey to General Marshall, at Kuling*

[NANKING.] August 17, 1946.

1335. Met General Chou 9:30 this evening in response your memo to me.<sup>69</sup> The Communist Party is not prepared to nominate State Council representatives. Specifically Communists will be ready to nominate representatives when terms of cease firing agreements have been arranged and when the small group of which Doctor Stuart would be chairman has worked out a basis of government reorganization. Complete report will follow in memo.<sup>70</sup>

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Marshall Mission Files, Lot 54-D270: Telegram

*Colonel J. Hart Caughey to General Marshall, at Kuling*

[NANKING.] August 18, 1946.

1337. When asked whether or not Communists were ready to nominate State Council members, General Chou evaded by saying original scheme for negotiation was first to cause a cessation of hostilities and

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<sup>68</sup> August 20.

<sup>69</sup> See penultimate paragraph of notes of meeting of General Marshall with Generalissimo Chiang Kai-shek, p. 51.

<sup>70</sup> See telegram No. 1337, August 18, *infra*.



second to establish a reorganized government with representation by other parties in the government. That scheme was now changed to where both would be discussed simultaneously with you handling the military considerations and Dr. Stuart's small group handling the political aspects. This new scheme was acceptable to Chou as long as the political reorganization included participation of other parties in government.

To try to draw Chou out on the "if only a matter of form" mentioned by you I asked how he visualized the operation of Dr. Stuart's small group; on what basis would it proceed toward formation of the State Council. Chou replied that he had carefully gone over all that with Dr. Stuart. He added that three political problems relating to the government itself would have to be discussed: 1, elaboration of first PCC resolution concerning seats on State Council among various parties; 2, redefinition of veto powers as laid down in PCC, and 3, reorganization of Executive Yuan to include other parties. Aside from this is the civil administration problem which originally according to PCC was to have been brought up after reorganization but which he was now willing to take up with Dr. Stuart's small group. These matters could be detailed and agreed on by the small group, other parties could then be brought in and the whole thing then discussed by the Steering Committee. He did not mention confirmation of this small group so I did not broach the subject.

In order to get a definite answer to your query I then asked Chou when he would be ready to nominate State Councilors. He said when two conditions are met: 1, when PCC resolutions are implemented and 2, when cease fire arrangements are implemented. He added that since the Government would be fearful of proceeding with government reorganization without a more practical understanding that from his point of view these conditions could be modified to: 1, when terms of cease firing agreements have been arranged and 2, when Dr. Stuart's small group has worked out a basis of government reorganization.

I ended the meeting by asking General Chou to come over to see the "Battle of Okinawa" this evening.

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893.50/8-1846 : Telegram

*The Chargé in the Soviet Union (Durbrow) to the Secretary of State*

Moscow, August 18, 1946—11 a. m.

[Received August 18—10:11 a. m.]

3232. First explicit attack on Chiang Kai-shek to appear in Soviet publication was review by A. Perevertailo in August 1 *New Times* of Generalissimo's book *Chinese Economic Theory*.

Reviewer states book sets forth "plan for creation of militarist state on quasi-feudal social-economic foundations, relying on big state monopolies and contemporary manufacturing industry." He compares idea of grafting modern technics onto traditional Chinese culture to pattern of Japanese historical development. Leading Kmt circles, states reviewer, wish to industrialize China with foreign capital rather than by means of expanding internal market and capital through land reform. This envisages for China "fate of a foreign, chiefly American, quasi-colony." View advanced in book that state's chief function is to regulate and limit popular demands is termed "ready-made philosophy of totalitarianism in special Chinese edition." Review concludes that book's author "comes out as ideologue of reactionary forces of China who are striving to preserve quasi-feudal foundations there and to convert it with American support into stronghold of reaction in Far East." Comment: This attack suggests that Soviet Govt coming, or already has come, to conclusion that Chiang cannot be counted on to serve or acquiesce to Soviet purposes in any government or governments which may develop in China. Similarly, it possibly indicates that in July USSR had washed out in its plans likelihood of Chinese coalition govt.

Department please repeat to Nanking.

DURBROW

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Marshall Mission Files, Lot 54-D270

*General Marshall's Notes of a Meeting With Generalissimo Chiang Kai-shek at Kuling, August 19, 1946*

I had a final meeting with the Generalissimo before my departure from Kuling though I had nothing new in effect to tell him. He restated his view of the situation and said that he was willing to go ahead with the action proposed toward the formation of the State Council, but he did not wish the committee headed by Dr. Stuart to take up any other matters involved in the PCC agreements. He stated also that he did not agree to a cessation of the fighting until agreement had been reached regarding the State Council and that I must understand that this was a great concession on the part of the Government and they were taking a decided risk in so doing.

I said that I did not wish to restate my views with which the Generalissimo was familiar, but I did very briefly summarize them and I also expressed my failure to understand what the added risk to the government was in agreeing to a cessation of hostilities. To my view it was exactly the contrary and I thought every day of delay further endangered the government forces.

In general, we agreed to disagree and the Generalissimo closed by stating that he realized that my efforts were all in the interest of China and that I should feel free to come to him at any time and state my views with complete frankness.

The following morning, General Yu Ta Wei came to me to resume the discussions of the previous afternoon—he having acted as interpreter—following a discussion he had just had with the Generalissimo. He was particularly insistent that nothing should be said in my approach to the Communists which would give the impression that the Generalissimo had proposed the effort we were about to make for the creation of the State Council and particularly that while there should be no discussion of other matters by this special group, the fact of such prohibition by the Generalissimo should not be made known. Otherwise there would be the inevitable Communistic propaganda that he (the Generalissimo) was refuting the agreements of the PCC. The Generalissimo, General Yu stated, was prepared to go through with the agreements of the PCC at the present time.

893.00/8-2046 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, August 20, 1946.

[Received August 19—10:50 p. m.]

1337. Kunming's 78, August 14 repeated for Department's information:<sup>71</sup>

"Following is summary of Central News release, dated August 14, carried in all Kunming papers.

After considering documentary evidence forwarded by Yunnan garrison headquarters, Ku Chu-tung<sup>72</sup> decided culprit of Wen I-to<sup>73</sup> assassination was military man and therefore must be tried by martial law. Yunnan Provincial Self Protection Corps and Kunming 13th *Gendarmerie* Regiment have designated representatives to organize court and set time for trials. Have already received permission from Central Government to proceed. They will invite central and local government organizations of Kunming, 'all classes of people's opinion organizations', judicial organizations and Democratic League representatives to attend trials.

Li Kung-pu<sup>74</sup> case culprit not yet caught. Safety and peace organizations cautioned to try utmost to also solve Li case."

STUART

<sup>71</sup> For report on the situation at Kunming, see despatch No. 22, August 2, from the Ambassador in China, vol. ix, p. 1440.

<sup>72</sup> Commander of the Chinese Armed Forces.

<sup>73</sup> Influential intellectual in Yunnan educational circles.

<sup>74</sup> Member of the Democratic League and interested in mass education movements.



Marshall Mission Files, Lot 54-D270

*The Director of the Office of Far Eastern Affairs (Vincent) to the  
Under Secretary of State (Acheson)*

[WASHINGTON,] August 21, 1946.

In reply to your inquiry as to what is our view on the question which Chiang Kai-shek asked General Marshall ("If the present Government is broadened by the inclusion of representatives of minority parties and of other individuals of high standing, would that be considered by the United States as bona fide action towards the establishment of a coalition government, if the Communist Party or representatives were not included?"),<sup>75</sup> my thinking is as follows:

The manner and circumstances in which Chiang might issue invitations broadening the base of the Government would of course determine whether we considered his action a bona fide attempt toward the establishment of a coalition government. I dislike prejudging the case, but I am extremely doubtful that he could issue an invitation which would be considered "bona fide" by any except his own partisans. I mean by this that not only the Communist Party but also the Democratic Federation would take a very "dim" view of the invitation unless it were done in conformity with the resolution of the People's Consultative Conference. That resolution provided for the establishment of a state council and a coalition government not as a result of an invitation by Chiang but as a result of inter-party decision.

The real substance of Chiang's question, however, is whether we would give material support to a coalition government of the type he has in mind, and I find it easier to answer that one. Quite apart from the bona fides of the Government and quite apart from any question of continued recognition of the National Government, I would speak strongly against our giving any substantial material support to that Government while it was engaged in large-scale civil war. We should not, of course, even consider any recognition of the belligerency of the Chinese Communists but on the other hand I think we should carefully avoid being drawn into the conflict through material support of the National Government. If I thought any good, from our national or from an international point of view, would come from all-out support of Chiang, I would be for it, but I can see only trouble, trouble, trouble coming from inconclusive action.

I think we must bear and stay with the situation, try to avoid seeing it as all black or white, and hope that a period of several months of civil war may have a chastening effect on the extremists in both the Government and in the Communist Party. Wiser counsels may then

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<sup>75</sup> See telegram No. 1334, August 17, from General Marshall to President Truman, p. 53.

come to the fore that will make possible an advancement of General Marshall's mission.

Incidentally, Mr. Tsui, the First Secretary of the Chinese Embassy and an old friend of mine, was in yesterday (protesting that his visit was purely personal) to make a poorly concealed attempt to get an answer to the question you have asked. I think I disabused his mind of a few misconceptions without telling him too much.

J[OHN] C[ARTER] V[INCENT]

Marshall Mission Files, Lot 54-D270: Telegram

*Mr. Walter S. Robertson to General Marshall*

PEIPING, 21 August 1946.

58. On 19 August the Three Commissioners agreed to direct Sub-Team 25 to proceed immediately to the Hsiang Ho area via Anping to investigate alleged conflicts in that area. NG and CCP<sup>76</sup> Commissioners offered safe conduct for the team.

893.00/8-2146: Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, August 21, 1946—9 a. m.

[Received August 23—8:50 a. m.]

1343. Strongest anti-American [and] anti-Marshall attack to date, contained in *Emancipation Daily* editorial, was highlight of Yen-an broadcasts for week ending August 17. (See summary Embtel 1323 [1322?], August 15, [of] editorial, which [appeared] following joint Marshall-Stuart statement was published in full.) Previous comment on joint statement charged “— failure of Marshall and Stuart is but outcome of erroneous US Govt policy of backing Chiang Kai-shek”. Anping incident continuing to maintain considerable attention with Communists alleging emphatically they had requested immediate investigation by Executive Hqs which stalled for 8 days before sending out field team, which delay they charge “is designed for purpose of manufacturing favorable evidence.” This is, of course, a blatant reallocation of blame from the Communists who deliberately caused [delay] by every means to Executive Hqs which strove by every means to accelerate action. Leading professor of Chungshan University quoted as stating incident could be solved satisfactorily if the US would regard Chinese as having national respect. “Previous incursions of Marines according to international law and law of any

<sup>76</sup> National Government and Chinese Communist Party, respectively.

country would be obvious violation of national sovereignty, but because of peculiar disrespect for Chinese sovereignty, US Marine authorities think otherwise."

New China News Agency correspondent's comment on Chiang Kai-shek's V-J Day speech said "message to countrymen reads like speech of shark smacking his lips at his victim behind benevolent phrases", and later "what Chiang means in nutshell is 'countrymen, prepare for slaughter—it is all for your own good'."

Chinese Air Force Day marked in Yen-an by appeal from Captain Jin and crew of National Air Force B-24 bomber, who deserted to Communist Army, to their "brothers in arms" in Chinese Air Force to stay out of civil war.

Sole item reporting fighting claimed two Kmt divisions wiped out northeast of Jukao. Other items reported repair work on dykes in north Kiangsu, bombing and strafing in Shantung by Chinese Air Force, text of telegram sent to CIO and AFL<sup>77</sup> leaders by trade unions of Shansi-Chahar-Hopei border region to halt intervention policy of American reactionaries, and rapid reconversion measure taken in Kalgan.

Dept please repeat to Moscow.

STUART

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893.00/8-2146 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, August 21, 1946—11 a. m.

[Received August 21—6 a. m.]

1346. Radio broadcast from San Francisco received here states Communists have made open declaration of existence of state of war. This would appear to be misinterpretation of UP story filed Nanking August 19.

On August 18 Communist controlled radio Kalgan issued on behalf Communist headquarters Yen-an a mobilization order calling upon military leaders and people of all Communist based areas to organize themselves to resist any incursions Central Govt forces into the base areas and to prepare against air attacks. Communist Delegation, Nanking, vociferously deny that this action constitutes declaration of existence state of war and state that it is only a notice to Communist controlled areas to exercise right of self-defence against Central Govt.

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<sup>77</sup> Congress of Industrial Organizations and American Federation of Labor, respectively.



While technically perhaps the Communist announcement is not a declaration of war, in the present tense situation existing the mobilization order is virtually such a declaration and is further indicated on the gradual deterioration of overall situation. Intensification of hostilities in north Kiangsu and Shansi may be anticipated unless there is immediate overall politico-military agreement, the difficulties of attaining which the Dept. is aware.

Department please repeat to Moscow.

STUART

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Dr. Stuart at No. 5 Ning Hai Road, Nanking, August 21, 1946, 5 p. m.*

Also present: Colonel Caughey

Dr. Stuart opened the meeting by stating that General Chou En-lai was at the Embassy for a conference, but that he (Dr. Stuart) had broken off the conference temporarily to clear with General Marshall a question which had come up. This would simplify his subsequent procedure. Specifically, Dr. Stuart desired to know whether or not the 5 military conditions previously imposed by the Generalissimo<sup>78</sup> with reference to the termination of hostilities would apply in the event Dr. Stuart's small group met with the object of resolving certain of the outstanding political aspects of the present situation. General Marshall replied that he did not discuss specifically this point with the Generalissimo, but that his understanding of the situation was that the Generalissimo's military conditions would still be applicable. General Marshall regretted not being able to give Dr. Stuart a more definite answer, but stated that General Yu Ta Wei, who had conferred at length with the Generalissimo on this point, was returning from Kuling this date. General Marshall suggested that Dr. Stuart contact General Yu Ta Wei in an effort to determine the Generalissimo's position in this regard.

Dr. Stuart reported, leaving out for the moment consideration as to whether or not the Generalissimo's conditions still were applicable, that General Chou appears to have his State Council members arranged for, depending on a 9, 10, and 14 seat arrangement. With respect to the arrangement for membership, as well as arrangements with reference to other matters, Dr. Stuart reported that General Chou

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<sup>78</sup> See record of conference on August 6, vol. ix, p. 1452.

appears to be optimistic regarding reaching a solution. Dr. Stuart added, however, that General Chou is of the opinion that Dr. Stuart's small group should be sanctioned by the Steering Committee of the PCC.

General Marshall asked Dr. Stuart what General Chou's general reaction had been thus far. Dr. Stuart said that General Chou gave him the impression of decided relief and pleasure over the prospects of organizing, at an early date, the State Council. General Chou seemed to appear confident that the necessary arrangements could be worked out although he (General Chou) wanted a definite assurance from the Generalissimo that agreement as to principles on the small group level will be accepted in the higher government levels.

Dr. Stuart concluded the meeting by stating that he would contact General Yu Ta Wei this evening in an effort to find out definitely the Generalissimo's attitude with respect to the present negotiations.

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Marshall Mission Files, Lot 54-D270

*Minutes of Conference Between General Marshall and Dr. T. V. Soong at No. 5 Ning Hai Road, Nanking, August 22, 1946, 10 a. m.*

Also present: Captain Soong

General Marshall stated that Dr. Stuart had a conference with General Chou to discuss Dr. Stuart's original proposal concerning representation on the State Council. General Chou is prepared to submit names of Communist representatives if agreements are reached by Dr. Stuart's small group and if these agreements are formally confirmed by the Steering Committee of the PCC. General Chou's main concern at the moment was whether the Generalissimo's 5 military conditions would or would not be set aside while political agreements were being sought by Dr. Stuart's small group. General Marshall stated that he did not know the answer to that question.

General Marshall said the Generalissimo was anxious to find out if the Communists were ready to appoint State Council members but that queries in this direction should not appear as his (the Generalissimo's) request. It should appear as a concession on the part of the National Government. The Generalissimo would not agree to the cessation of hostilities prior to arriving at some agreement on the State Council. The Generalissimo did not want it implied to General Chou that he is proposing the organization of the State Council. He did not want to have it appear that he stipulated that there be no discussion by Dr. Stuart's small group of the reorganization of the Executive Yuan.

The Generalissimo made the comment that the Communist Party had previously declined to nominate their people for the State Council, but General Marshall told the Generalissimo that the Communist Party had changed its view. The Generalissimo inquired as to where General Marshall obtained this information. General Marshall stated that he had received the information through the Democratic League. The Generalissimo stated that he did not have confidence in such a statement by the Democratic League and wanted to be sure. Consequently Colonel Caughey was instructed to call on General Chou who said that the Communist Party is ready to nominate representatives to the State Council providing agreement is reached by Dr. Stuart's small group and providing arrangements are made for termination of hostilities. This was given to the press by the Communist Party.

General Marshall said that he did not think it would be too difficult to reach solutions on military issues if an early agreement is reached on the matter of the State Council, unless additional conditions are introduced. However, General Marshall feared that, if the present situation continues, fighting in Jehol may develop, which would inevitably be followed by fighting in Manchuria.

General Marshall stated that he had not seen General Chou since his return from Kuling. He was waiting for General Chou to call on him to explain some of the recent actions of the Communist Party.

General Marshall said he was trying to coordinate the China situation with the rest of the world. He believed in the near future President Truman will feel it necessary to make a public statement but he did not now know the form the statement will take.

Dr. Soong then said that he wanted to see General Chou and talk to him more generally on the present situation. General Marshall concurred in this idea and thought, through this means, Dr. Soong would find out for himself the degree of General Chou's sincerity. General Marshall stated that he wanted the Generalissimo to talk with General Chou privately for the same reason.

General Marshall then commented on the fear and suspicion on both sides. He stated these fears and suspicions have caused the situation to be extremely difficult.

Dr. Soong then stated that he is going to keep the conference with General Chou on a private level and that he would not issue any public statement to the press. To this General Marshall agreed.



Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between Admiral Cooke and General Marshall at  
No. 5 Ning Hai Road, Nanking, August 22, 1946, 10:30 a.m.*

Also present :

General Pheiffer <sup>79</sup>

Colonel Caughey

Colonel Litzenberg <sup>80</sup>

Lieutenant Colonel Hutchin <sup>81</sup>

The meeting opened with a general discussion of the An Ping incident, during which Admiral Cooke asked General Marshall what course of action he proposed to take. General Marshall replied that he was very anxious to give the investigating team full opportunity of arriving at a solution; that he did not feel free to make a public statement or demand an apology from the Communists at this time since this course of action would not only be seized upon by the National Government to indicate that the Communist Party cannot be dealt with on a reasonable basis but also probably would mean immediate termination of Executive Headquarters.

Admiral Cooke stated that if civil war is to break out in China there are a lot of decisions that have to be made, and prior to that time a lot of planning will have to be done. For instance, will the Marines be expected to maintain the coal train guards, will the Marines be expected to maintain their establishments in Peiping; and will the Marines be expected to maintain transport aircraft for the support of Executive Headquarters activities? General Marshall stated that the coal train guards should first be eliminated. These guards should now be replaced by National Government forces. In this connection General Marshall stated that an additional Chinese Army was being moved to North China from Formosa and that it would be extremely helpful if this army, as well as other troops in North China, were obligated to take over Marine functions. Through this means those troops would then be committed southward and therefore could not be moved into Jehol or Manchuria, thus preventing additional confusion and an additional potential for the National Government to wage civil war.

Admiral Cooke pointed out that there was a hostile attitude growing among Americans toward apparent Soviet ambitions in Europe and Asia. He pointed out that this attitude was very important so far as his local planning is concerned. He cited the possibility of Soviet military activity in Korea. In this event the U. S. forces in Korea

<sup>79</sup> Brig. Gen. Omar T. Pheiffer, U. S. M. C., member of Admiral Cooke's staff.

<sup>80</sup> H. L. Litzenberg, U. S. M. C., 7th Fleet officer, Office of the Naval Attaché in China at Nanking.

<sup>81</sup> Claire E. Hutchin, member of General Marshall's staff.

might conceivably be withdrawn to China, thus demanding certain Marine dispositions, and a general plan of action. On the other hand U. S. forces may withdraw to Japan, which would call for a different course of action on the part of the Marines. At this juncture General Marshall read to Admiral Cooke a recent Eyes Only message from Colonel Carter <sup>82</sup> concerning development of U.S. policy toward Russia.

General Marshall then proceeded to discuss in general the status of the current negotiations, indicating the status of Dr. Stuart's small group, the attitude on the part of the Generalissimo and on the part of General Chou En Lai toward the continuation of negotiations.

Admiral Cooke reminded General Marshall that he had recently submitted a proposal pointed toward the possible resolution of the civil administration problem by reaching an agreement on the civil administration problem in Shantung Peninsula and using Shantung Province as a model area for the development of similar principles to be made applicable throughout China. General Marshall thanked Admiral Cooke for this suggestion but indicated that a similar proposal already tried by him with reference to North Kiangsu Province had met with failure, but that he would try out Admiral Cooke's proposal on General Chou.

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Marshall Mission Files, Lot 54-D270

*Record of a Meeting Between Dr. Stuart and General Yu Ta-wei  
Thursday Morning, August 22, 1946* <sup>83</sup>

Dr. Stuart stated that the main purpose of his discussion with General Yu was to ascertain whether or not the Generalissimo's five points still held firm. Dr. Stuart pointed out to General Yu that there had almost been a complete solution and that it was very important that we continue to explore all possibilities as long as there was any hope for peace.

General Yu stated that since the Communists had come down in force against the Lunghai railway, the whole military situation had changed so that even a complete Communist acceptance of the Generalissimo's five points probably would not help matters materially. However, the Generalissimo appeared willing to try to settle political differences. When pinned down, General Yu stated his interpretation was that the Generalissimo wanted to continue the fighting while, at the same time, efforts are continued toward a settlement of political differences. General Yu emphasized again the Generalis-

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<sup>82</sup> See telegram No. 97428, August 14, p. 27.

<sup>83</sup> Based on Dr. Stuart's discussion the same afternoon with Colonel Hutchin.

simo's desires that everyone, including General Marshall, guard against intimating that he (The Generalissimo) wanted, or was willing, to take the initiative in proposing the establishment of the State Council. The Generalissimo wanted to avoid giving the Communists the opportunity to come back at the Government on some proposition to the effect that there would be Communist participation in the State Council but no participation or equality in the Executive Yuan.

Dr. Stuart considered it would then be a good idea to explore the political approaches to matters pertaining to the State Council and expressed the hope that if political differences were settled, both sides would have a better understanding even though the military situation remained unchanged. From his meeting of yesterday with General Chou, he thought General Chou was willing to take up matters pertaining to the State Council and to permit everything else, such as problems concerning the Executive Yuan, to come up in due time. But he was insistent that there should be a clear understanding as to "the five points".

Dr. Stuart stated it took General Yu a long time to come out with an interpretation of the Generalissimo's views to the effect that fighting should continue at the same time as the efforts toward settlement of political differences. General Yu apparently felt there was no chance for peace, talked very pessimistically and discussed some of the implications of Russia as a menace to China.

General Yu reiterated the Generalissimo's old arguments for the presentation of the five points. The only new argument was that the 5 points constitute essentially a bargaining position for the Government. The Generalissimo is apparently willing to accept Communist action in Manchuria as "Fait-accompli". He is willing to concede the 2½ provinces involved in Manchuria to the Communists although stamping it as a violation of the PCC agreements. He does this provided that the Communists are willing to accept the purchase price. The price that he has established are the five points. Dr. Stuart stated that it had never been presented to him in this form before.

The problem now confronting Dr. Stuart was how should he answer General Chou this afternoon on the matter of these five points. He thought perhaps it would be better to deal with them as something quite apart from his small committee handling the establishment of a State Council.

When leaving, Dr. Stuart added as a sort of a postscript the fact that General Yu wanted to know what happened in the discussion between Dr. T. V. Soong and General Marshall. Apparently the Generalissimo has asked T. V. Soong to talk to Chou on general



principles and not on details. He (Dr. Stuart) feels that T. V. Soong will only obstruct negotiations and not help. T. V. Soong is a brusque individual while General Chou is a clever debater. Yesterday afternoon, T. V. Soong told Philip Fugh <sup>84</sup> that he was anxious to have a part in the Marshall-Stuart negotiations. Dr. Stuart does not welcome this idea and wishes it had not been brought up.

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between Dr. Stuart and General Marshall at  
No. 5 Ning Hai Road, Nanking, August 22, 1946, 6:30 p. m.*

Also present: Colonel Hutchin

Dr. Stuart reported on his afternoon conversation with General Chou En-lai. Dr. Stuart had described to General Chou his morning conversation with General Yu Ta Wei and, after some discussion with Chou, he had reached certain conclusions. Dr. Stuart suggests that General Marshall ask the Generalissimo to appoint his two or three members to the committee, and to take all the steps possible which will clear the way for the organization and operation of a State Council. General Chou is ready to go ahead at once on this matter. He is willing to discuss State Council issues, such as how many members from different parties, and what veto arrangements will be set up.

At the same time that Dr. Stuart's small committee will be working toward the establishment of a State Council, General Marshall would continue to press the Generalissimo for a cessation of hostilities order. Dr. Stuart stated that it would be improper to go on fighting while, at the same time, trying to settle by peaceful means, the political differences. There is no doubt but what the five points will come up, but General Chou is willing to go ahead on political problems if the military problems proceed apace.

Dr. Stuart then expanded on his meeting with General Yu Ta Wei, which are recorded in minutes of this morning.

General Marshall brought out the point that when Dr. Stuart speaks of a cease-fire order or cessation of hostilities order, it immediately involves him in a very serious problem of local government.

Dr. Stuart stated that General Chou mentioned that problem only lightly in connection with his discussion of a meeting he held at 11:30 this morning with Dr. T. V. Soong. However, the Chou-Soong meeting discussed mostly general principles of a democratic form of government. Dr. Soong pointed out that he was completely without

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<sup>84</sup> Secretary to the Ambassador in China.

official standing, but that he was interested in participating in the Marshall-Stuart negotiations.

General Marshall then stated that General Chou, while advocating a socialistic government for China, thought that now impracticable and their best hope seemed to be to try to get a democracy somewhat like that of the United States. He thought that now that Chou was ready to get on with the work of the small committee in preparation for a State Council, that perhaps he (General Marshall) had better go to Kuling at 1400 tomorrow afternoon. General Marshall would ask the Generalissimo to designate his people and in the meantime General Chou should be getting his names ready.

Dr. Stuart agreed with General Marshall's proposed trip to Kuling and urged that we go ahead with steps toward the organization of the State Council, letting the world know of our progress as soon as possible. Then if we also let the world know how we come out on renewed efforts for a cessation of hostilities, all the world would know that the United States had been as patient as possible.

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Marshall Mission Files, Lot 54-D270

*Memorandum by General Chou En-lai to General Marshall*<sup>85</sup>

MM 133

NANKING, August 22, 1946.

DEAR GENERAL MARSHALL: I learnt very reliably that the Nationalist forces are contemplating fulfilling their war scheme within the next two or three weeks in the following three regions:

(1) Along the Lunghai Railroad, to the east, west and north of Hsuehchow, the assault being directed toward south Shantung and east Honan.

(2) Along the Tsingtao-Tsinan Railroad.

(3) In Jehol Province, the objective being Chengteh. The main drive will be made from the eastern end, primarily undertaken by the 13th, 93rd and 53rd Army, the last being a new arrival from south China. Other army units in the Peiping-Tientsin base will strike out to support that drive.

According to the same information, the Nationalist forces will use poison gas in their imminent drive. Seeing that the several hundred air raids by the Nationalists of late have inflicted immense suffering to the Communist populace, the employment of gas-warfare, which is even outlawed in international charter, would place the Nationalists

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<sup>85</sup> An attached memorandum, about August 23, by Col. J. Hart Caughey informed General Marshall: "Mr. Chang Wen-chin [General Chou's secretary] just called to say that General Chou wanted to be sure that you saw the attached before you went to Kuling. The implication being that he will probably request verbally that you discuss this matter with the Gimo."

in the eyes of the world on an equal footing with the German fascists in point of atrocity and barbarism.

You are requested, when in Kuling, to take up this matter with Generalissimo, and warn him against such a move, especially the use of poison gas. Should the Nationalist none-the-less decide to employ chemical warfare, we will feel forced to make a broad appeal to the entire country as well as to the world.

[Signature in Chinese]  
(CHOU EN-LAI)

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and General Yu Ta-wei at No. 5 Ning Hai Road, Nanking, August 23, 1946, 10 a. m.*

Also present: Colonel Caughey

[Here follows discussion of jurisdiction with respect to certain German nationals accused of offenses during or after the war.]

General Yu Ta Wei asked General Marshall if he was still proposing to go to Kuling this date. General Marshall answered in the affirmative.

General Yu Ta Wei stated that General Chou En Lai was in a quandary as to whether or not the Generalissimo's five military conditions were still in effect in connection with the political discussions by Doctor Stuart's small group. General Yu went on to clarify that there is no connection between the Generalissimo's five military conditions and the political negotiations to be conducted by Doctor Stuart's small group. He added, however, that the Government is not waiving these five military conditions but rather are willing to let the five conditions rest until after Doctor Stuart's small group has been able to reach an agreement.

General Marshall said that while he was in Kuling last weekend he had had a discussion with the Generalissimo, at which time the Generalissimo had questioned General Marshall's information from Carson Chang<sup>86</sup> that the Communists were ready to designate their representatives for the State Council and requested that the information be checked. General Marshall told the Generalissimo that he would put the question to General Chou En Lai, which he did through Colonel Caughey. General Marshall went on to say that in a later meeting the Generalissimo was most explicit that in any approach to General Chou En Lai the idea not be given General Chou that the Generalissimo was proposing the formation of the special group with Doctor Stuart as chairman; that the idea should come from General

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<sup>86</sup> Also known as Chang Chun-mai; prefers Carsun Chang; member of the People's Political Council.



Marshall personally. Later the Generalissimo through General Yu emphasized the importance of Chou En Lai not being led to believe that the Generalissimo was pressing for this action, and especially that he had stipulated that the Special group should not discuss the reorganization of the Executive Yuan. General Marshall told General Yu Ta Wei that Colonel Caughey had questioned General Chou En Lai regarding delegates and that this particular transaction had been announced by the Communists to the press. General Marshall added however that he had explained to American press representatives that the transaction was completely his idea.

General Marshall stated that the reason he was rushing off to Kuling was to get the Generalissimo to designate his two members for Doctor Stuart's small group. This was based on the fact that General Chou En Lai had agreed to the convening of Doctor Stuart's small group in an effort to seek a basis for the establishment of the State Council.

General Marshall told General Yu Ta Wei that the situation was becoming worse day by day. In the meantime the Communists would be driven to seek outside support, such as Russian, which ultimately would make it more difficult to bring together both sides in a peaceful solution.

General Marshall then told General Yu Ta Wei that he had received from General Chou En Lai a letter<sup>87</sup> in which General Chou stated that he had received information from a reliable source to the effect that the National Government is proposing to use gas against Communist forces. General Marshall advised General Yu Ta Wei that if the Chinese Government had any gas that they should immediately destroy it; that this action on the part of the National Government if carried out promptly would be the most effective means of counter-propaganda toward the Communists, who no doubt would publish this widely. General Marshall pointed out that the National Government could not lose by adopting this course since he was quite certain that they did not have enough gas to do any real harm anyway.

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*Minutes of Conference Between General Marshall and Mr. Percy Chen<sup>88</sup> at No. 5 Ning Hai Road, Nanking, August 23, 1946, 10:30 a. m.*

Also present: Capt. Soong

Mister Chen expressed his optimism in the present situation and said that General Marshall will eventually have the present problem solved.

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<sup>87</sup> MM 133, August 22, *supra*.

<sup>88</sup> Son of the late Eugene Chen, Chinese Minister for Foreign Affairs for last time in December 1931-January 1932.

General Marshall stated that the present problem could have been solved much easier two months ago and that the longer the delay the more complicated the problem became.

General Marshall said that the Generalissimo told him in February that there were no liberals in the Communist Party. General Marshall disagreed. Today those liberal elements in the Communist Party are losing control and the radicals are becoming the leaders.

General Marshall inquired of Mister Chen how much of the Communist mobilization order is threat and bluff and how much of it is actual preparation. To this, Mister Chen made no reply. General Marshall continued to say that it was probably part of Communist overall policy and added that when such propaganda spreads among the lower echelons within the Communist Party, it might be very difficult to control. General Marshall commented that the greatest weakness on both sides is lack of appreciation of the fear on the other side. If such fear could be dispensed with, then the problem could be more easily settled.

General Marshall then said that he was now trying to start a State Council. Through this Council the Chinese would have their own instrument of discussion and they could not complain further that they had no opportunity to discuss. General Marshall further stated that the only chance for the Kuomintang Government to survive is to prove that it is a better government.

Mr. Chen concurred that to tackle the present problem by organizing a State Council is the right procedure. He believed that this procedure would bring results. He further stated that the reorganization of the army would not be possible unless the Communist Party could be given political assurance. Mr. Chen then inquired if General Marshall had had an opportunity to explore the liberal movements in China. To this General Marshall replied that he had had discussions with a great many individuals, including Democratic Leaguers, Young China Party members, non-party members and various individuals. General Marshall further stated that he would see anyone who asked to see him.

Mr. Chen stated he learned that Dr. Sun Fo<sup>89</sup> had not participated in the present negotiation. Dr. Sun conceived the idea of the presently suggested State Council. It seemed to Mr. Chen that a man like Dr. Sun would be of great value to General Marshall at this dangerous moment. Dr. Sun has a good reputation among the labor and financial circles in the U. S., and he has a good background and is worthy, in his own right, to participate in the negotiation.

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<sup>89</sup> Son of Sun Yat-sen and President of the Chinese Legislative Yuan.

China started the war against Japan with the promise of help from Russia and Dr. Sun Fo was the man who went to Moscow to arrange such help with Mr. Stalin.<sup>90</sup> Consequently, Dr. Sun also gained the confidence of the Russians. Although the British are becoming less interested in the Orient, Mr. Chen was sure that they have an equal confidence in Dr. Sun. In China, all the liberals feel that Dr. Sun is the only person they would support and follow. Among the moderates of both the Kuomintang and the Communist Party, Dr. Sun also commands high respect. From all points of view, Dr. Sun has a wide knowledge of the current situation in China to enable him to appreciate the fear on each side which is so frequently mentioned by General Marshall.

Mister Chen further stated that it is Dr. Sun's belief that the situation today has grown too large for the U. S. alone to handle as mediator and to guarantee fair dealing for either the Kuomintang or the Communist Party any longer. He (Dr. Sun) directly favored some sort of participation with the Russians—by ideological contact which he thinks is fundamental. Before the situation in China becomes dangerous to the world, is the time to take up the matter with Russia and find out just what they want in China. Dr. Sun suggested that Russia be brought in to mediate the situation. In this way, it would give both the Kuomintang and the Communist Party a feeling of a certain amount of assurance.

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and General Chou En-lai at No. 5 Ning Hai Road, Nanking, August 23, 1946, 11 : 20 a. m.*

Also present : Colonel Caughey  
Captain Soong  
Mister Chang

GENERAL CHOU: I had many talks with Doctor Stuart these last two days so did not make an appointment with you, but on hearing last night that you were leaving for Kuling I came to see you.

GENERAL MARSHALL: Dr. Stuart has given me a very brief outline of his talk with you. I saw him yesterday afternoon. During one talk the day before yesterday you were waiting at the Embassy. Dr. Stuart saw me again yesterday evening and told me again what had happened and it was his desire that I go to Kuling right away. So I arranged to leave at 2 o'clock this afternoon. My purpose in going is to secure the Generalissimo's immediate agreement to designate one

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<sup>90</sup> Iosif Vissarionovich Stalin, Chairman of the Council of Ministers of the Soviet Union.



or two or more individuals to meet with whomever you propose, under the temporary chairmanship of Dr. Stuart, to discuss the organization of the State Council.

GENERAL CHOU: With regard to this question, I have talked with Dr. Stuart twice and it seems that we have the same opinion; that certain points should be clarified. It seems further that the Government has not yet reached a unanimous opinion with regard to these points.

In the case of Doctor Soong, though he expressed a desire to have a direct discussion with me, in his conference with me he said that, in the first place, he could not represent the Government. Secondly, he merely wanted to have a friendly chat without bringing forward any fixed idea or proposal. I conveyed to him my own opinion and also mentioned the meeting of Doctor Stuart's small group with regard to the organization of the State Council. He made no reply and it seems that he is uninformed on the whole matter. With regard to the overall question, he did not express his opinion. At the same time, General Yu Ta Wei in his talk with Doctor Stuart failed to state explicitly the Government's stand with regard to the small group, nor did he state whether the Government had definitely dropped the five points demand or not. It seems that the attitude of the Government is still uncertain.

GENERAL MARSHALL: First, as regards Dr. Soong, I am more or less responsible for his seeing you. Dr. Soong has not been intimately concerned in the various discussions we have had in the past six months. It was not until the Generalissimo communicated through Dr. Soong with me when the Generalissimo was in Mukden that Dr. Soong was ever brought into the negotiations at all. Since then it has only been from time to time that he entered the discussions. But, as he is the head of the Executive Yuan and is deeply concerned in everything that pertains to the economic situation in China (which, of course, relates to local affairs), I thought it was highly desirable that he should have some immediate personal contact with you. I hoped that you two might come to a better understanding of each other's view of the situation, principally economic. Dr. Soong had in mind a formal meeting with you, with me present. But I thought it was possibly best to have an informal discussion with you first. That, I think, is the condition under which Dr. Soong requested the interview with you. He left for Shanghai this morning sick with a high fever.

In Shanghai he is to meet the Assistant Secretary of War,<sup>91</sup> a representative of the Assistant Secretary of the Navy, and Mr. Mc-

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<sup>91</sup> Howard C. Petersen.

Cabe,<sup>92</sup> who are trying to settle the surplus property question.<sup>93</sup> Incidentally, the War and Navy representatives came out here because a settlement up to this time has been impossible. Part of the confusion has resulted from War and Navy Departments demands on their property with the result that some of it is being shipped back to the United States. Munitions are not included in surplus property disposals to China; only machinery, motor cars, rations, medical supplies, etc. This is why Dr. Soong left for Shanghai today. Mr. McCabe and his delegation came here to see Dr. Soong yesterday but could not arrange a meeting because of your meeting with him. This discussion, together with his fever, may delay him still further in meeting with you and myself.

I might add for your casual information that the great difficulty about surplus property has been that an accurate inventory of the immense masses of materiel has been almost impossible due to the rapid demobilization of our troops and the evacuation of the various islands where this property has accumulated. Further, the War Department and the Navy Department have been drawing on it and shipping it back to the United States, UNRRA had a purchase right, and the Philippines had a purchase right. It has been a very complicated problem to decide just exactly what there was for the Chinese Government to purchase. That is what Mr. McCabe's delegation is endeavoring to settle. And, as I said before, they brought a Navy and Army representative so as to avoid Mr. McCabe reaching a settlement out here and then having the War and Navy Departments disrupt it back in Washington.

Now, as to your other comment regarding the Government position in relation to the proposal Dr. Stuart made, in which I joined, of the creation of this small group to endeavor to reach an understanding which would permit the immediate organization of the State Council. This is our proposal which was made without regard to the military situation, in the effort to get something done immediately which might make other settlements easier of adjustment. In one sense it has no relation to the 5 military conditions the Generalissimo presented through Dr. Stuart to General Chou. In another sense, in the opinion of Dr. Stuart and myself, it presents a probability of a peaceful adjustment. What we are trying to do is get started with the State Council in the hope that as soon as agreement has been reached by the small group we can then find a quick basis for settling the military stalemate. The issue is to break this tragic stalemate and further development of a civil war. Therefore Dr. Stuart and I have turned

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<sup>92</sup> Thomas B. McCabe, Special Assistant to the Secretary of State and Foreign Liquidation Commissioner.

<sup>93</sup> See pp. 1033 ff.

to the proposition of a State Council. I will do all I can to find some basis for a settlement regarding the fighting, but my expectation is that an agreement on the question of the State Council would be the strongest influence I could find towards promoting a quick settlement of hostilities. Therefore, my hope is that we can get started with this small group and find an acceptable basis of settlement just as quickly as possible and with as few conditional arrangements as possible. Conditional arrangements in the past have been the cause of most of our grief.

GENERAL CHOU: In my meeting with Dr. Soong, he mentioned that he had a meeting with General Marshall before the meeting with me. He said that he is not likely to hold regular meetings with me since he is too busy and he can only arrange informal meetings from time to time. He did not mention having a formal meeting with you present. Since he is expected to be back about Sunday, he can meet me next week with regard to the organization of the State Council.

It seems a very simple question to me because all the main problems have been settled in the provisions of the PCC with the exception of two points which are: First, the distribution of the Council seats among the parties; secondly, the reorganized government should proceed on the basis of an agreed party platform. That is the peaceful reconstruction problem. It can be said with certainty that the reorganized government would have no objection to committing itself to the joint platform. In case some changes are to be made with regard to its provisions, then a two-thirds majority will be required to make any alterations.

That implies that there should be a one-third veto power on such matters as alteration of that platform. No agreement has been reached on the specific terms governing alteration. One of the Government representatives suggested that a minimum vote for veto need not be fixed but simply arrange that in case the Communist Party would not agree to any alteration, then the transaction will not be passed, or else the Communist Party may withdraw. The Government would not raise that question again so I never feel sure whether the Government is still considering such a proposition or not. If this matter is left unsettled, it will be more difficult to reach a decision. But if there is good intention to settle the matter, it can be gone over in a day's time.

It is also my idea that an agreement on the government reorganization would help a great deal towards the cessation of hostilities. On the other hand, cessation of hostilities itself is also a necessary factor for the successful reorganization of the Government considering that it cannot be expected that while the Communist Representatives are



sitting in the Government, the civil war should be expected to go on.

In answer to the date factor, I perfectly agree with Dr. Stuart that it should be arranged as quickly as possible because the longer it is drawn out, the more general the fighting will become. I learned, reliably, that large scale fighting will take place in the next two to three weeks, as I mentioned in today's memorandum to you.<sup>94</sup> If we should in the meantime reach some basis of arrangements for the reorganization of the Government, then at least the fighting will not assume such large proportions. If the negotiations prove to be a procrastination, then the fighting will be further enlarged.

Of course, I never thought that the Government could fulfill their military plan for defeat of the Communists within two or three weeks, just as the plan to occupy the whole North Kiangsu has failed. At any rate the situation will become very serious and it would be extremely difficult for me to explain to our people that there is still hope in the negotiations. Since June, the Government has consistently been adopting delaying tactics. They brought forward one demand after another which were not acceptable to us. On our part, for the last four months, we did not raise any claim at all. It is my sincere hope that you and Dr. Stuart's efforts will meet with success. Otherwise it would be impossible for me to explain that the Government is not using delaying tactics and is not planning for country wide civil war.

By the way, I wish to make a point on the contemplated gas warfare. I have learned that the Government has already sent up gas warfare equipment from Nanking to Hsuehchow. Should it be conducted in that region, it will become a very serious problem. Even the Fascist countries refrained from employing such means in the last war. It would be a serious crime if the Government would use it for Civil War purposes. I can give you my full assurance that the Communists have no such equipment and would not use such equipment. It is almost the same thing as our having no airplanes, while the Government has made over 300 raids against Communist areas despite our protests. Such a move would only increase the resentment. I hope that when in Kuling, you will take this matter up with the Generalissimo. If Communist soldiers suffer from gas casualties, it can immediately be shown to the correspondents and will be known throughout the world. Of course, it might be difficult to identify tear gas effects and to my knowledge the major part of the gas warfare equipment is of the tear gas type. But if other gases are used, the damage will be still higher. General Chen Cheng<sup>95</sup> is making

<sup>94</sup> MM 133, August 22, p. 68.

<sup>95</sup> Chief of the Chinese General Staff.

plans for its use on all fronts and is now flying to Peiping to make preparations for the operations.

GENERAL MARSHALL: I would like to say that I am in full agreement with you that the prolongation of the fighting will increase the bitterness to a point very difficult ever to compromise and also will develop a situation which will be entirely beyond control.

I would like you to have the following in mind in connection with my efforts at the present time. There has always been a wealth of accusations on both sides regarding the wrongdoings and evil purpose of the other side but I have never experienced such a complete contrast in views of the situation as at the present time. The Government states its belief that the Communists are provoking the fighting and are using negotiations merely for delaying purposes to their military advantage; and you give me exactly the same statement of the case with the conditions all reversed. I have my own views on this which vary in different localities and vary as to certain periods, but invariably I am confronted with the repetition of each side of the claims of the other and I have to make the best of that confusion. My purpose, and that of Dr. Stuart, is to bring the fighting to an end. I have tried every method I could find and now have turned to the State Council. Up to the present time I had to confine my efforts to matters pertaining to military affairs. As General Chou knows, the Government, or rather the Generalissimo insisted upon certain conditions of a military nature, before he would consider the political aspects, including the issue of local governments in Kiangsu and certain other stipulated areas. Now I think I have prevailed upon him to agree to this meeting in an effort to initiate a State Council, and that is my purpose in going to Kuling today. I am equally anxious, with you, to have it done quickly so that once the agreement has been made and once the candidates have been nominated, we may be able to reach an agreement for the termination of the fighting. I agree with you that it is not conceivable that actual political discussions of a newly created State Council could proceed while fighting was still going on. My hope is that if we can find an agreement and can have the individuals nominated, then we can turn next to the settlement of the fighting. Certainly that is my objective and I will do my best to that end. This matter that you have brought to my attention in your memorandum today, I will refer to the Generalissimo.

GENERAL CHOU: I merely wish to say the following with regard to the military situation. Of course sometimes the initiative has gone into the hands of one side and sometimes the other. Sometimes when the Government made attacks, then the Communists dealt a counter-

blow. Therefore, sometimes the military situation goes to the one side and sometimes to the other. I admit there is such a situation, but on two points there is a great difference between the attitude of the Government and ours.

The first is that, since April this year throughout, we can reach the conclusion that the Government has occupied many more places in Manchuria and China Proper than the Communist Army. Since January 13 the Government has occupied 59 cities and since June 7 over 20 cities. These are still in their possession. In addition they occupied over 3,000 townlets, towns and villages, while the places occupied by the Communists in the counterattacks are very much less than that. We have always held to the idea that the status of January 13 should be renewed in China Proper and the status of June 7 should be renewed in Manchuria, and that both sides carry out this restoration of positions. This is our attitude, while the Government merely asks for evacuation of Communist troops from the places taken after those dates. This is the great difference in the attitude of the two parties.

The second, and much more important, is that we have been advocating all the time for an unconditional truce, and without any condition of the military advantages at that particular time. The Government's attitude is different. They attach conditional terms to the truce and they also choose to make suggestions whenever the situation was adverse to them. As you know, the terms put up by the Government are becoming more and more numerous from time to time. As to the time factor—previously they said they would enter into a truce as soon as Changchun was occupied by them. Later on they preferred to wait until the time is more advantageous to them. After these advantages occurred to them the truce would be turned into an armistice. I hope that you will have a fair view on this question, because this will be recorded in history. We have been advocating all the time for truce and we are willing to enter into it at any time, though there are many matters that have to be settled in connection with the truce. These matters can be arranged after the truce is declared. There is only one attitude thus far presented by the Government. That is, the longer the war lasts, the more places the Communists will lose. If that is their contention, it means they are determined to carry on with the war to the end. However I feel sure they would fail in pursuing that course.

The recent measures taken by the Communist Party as broadcast by Yen-an and Kalgan are only aimed to put up a total resistance. This differs from the normal patient actions in this respect. The resistance will be conducted in all the places where there are Communist troops, instead of taking an entirely passive attitude. Also,



the civilian population will be mobilized. It is of a defensive nature and there is no intention of striking out from the Communist areas or aim to overthrow the National Government. However should the fighting be continued indefinitely then the situation may undergo some change. By that time we may feel forced to wage a nation-wide war. Should that happen, that would be very bad.

As I told you at the last meeting the Kuomintang is contemplating calling the National Assembly without Communist participation. Should they do that, we will feel forced to call the Delegation Conference of the liberated areas. This is not our intention but we may be forced into it.

GENERAL MARSHALL: I have to make my arrangement to leave for Kuling. I am very glad to hear what you had to say. I will mention this subject (indicating General Chou's memo regarding gas warfare) to the Generalissimo. I will also see if I can get the Government to go ahead with Dr. Stuart's small group for the initiation of the State Council.

Meeting was adjourned.

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Marshall Mission Files, Lot 54-D270: Telegram

*General Marshall to President Truman*<sup>96</sup>

[NANKING,] August 23, 1946.

1367. DEAR MR. PRESIDENT: Since my 1334 of 17 August sent from Kuling, I have had several lengthy interviews with the Generalissimo and also with Doctor Soong and other advisors, all at Kuling. Since my return to Nanking, Tuesday, Doctor Stuart and I have been engaged in efforts to initiate a meeting of a small Kuomintang-Communist group under Stuart's chairmanship to reach an immediate settlement of the conditions for the early creation of the State Council with complete party representation. I have had further conferences with Doctor Soong and other Government Representatives and just completed a few minutes ago a lengthy conference with General Chou En-lai. I am leaving within the hour for Kuling to persuade the Generalissimo immediately to appoint his representative for the small group under Stuart's chairmanship to settle the details for the creation of the State Council.

The Generalissimo's present attitude is that he is willing to make a try at reaching an agreement with the Communists for the organization of the State Council through the means suggested by Doctor Stuart and myself, but he is unwilling to agree to a termination of

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<sup>96</sup> Copy transmitted to the Secretary of State by the War Department on August 23.

the fighting until the agreement is reached and presumably until his military conditions for the cessation of fighting have also been agreed to. He feels that even this concession is a great one and involves a military risk on the part of the Government. I disagree completely with this view of the matter as to risk. To my mind the great risk is involved in the continuation of the fighting. The Generalissimo feels that the Communists are responsible for the fighting and cannot be trusted to go through with an agreement for its cessation. I am not in agreement with this view, at least I feel that the effort is a mandatory requirement.

Doctor Stuart has held lengthy conferences with Chou En-lai in the past two days and the latter has agreed to enter into the meeting of the small group to settle the conditions for the activation of the State Council. It is with that understanding that I am proceeding to Kuling this afternoon to see the Generalissimo.

The Military situation naturally grows more serious day by day and there is now an immediate threat of an outbreak of the fighting in Jehol, northeast of Peiping. The Communists' Mobilization Manifesto, General Chou assures me, was a defensive measure against what they considered was the definite purpose of the Government to settle the issues by military force.

The fact of the matter is that each side takes the same stand with me, that the other is provoking the fighting and cannot be trusted to go through with an agreement. The present effort of Doctor Stuart and myself regarding the State Council is but another move, but on a higher level, to break the stalemate. I was shown a copy of the Generalissimo's reply to your message and I can only repeat the language of my last message that "It can mean much or little depending on whether or not a renewed negotiation this coming week" can be productive of a basis for the cessation of hostilities.

The introduction of Doctor Soong into the negotiations has not yet had any important result as he only had his first meeting with Chou yesterday and has been forced to leave for Shanghai this morning to meet Mr. McCabe and others of our FLC,<sup>97</sup> also he has a high fever.

The investigation of the Nanking <sup>97a</sup> Marine-Communist incident is progressing slowly but actually is progressing. I doubt exceedingly whether an agreement can be reached as to either the facts, or the responsibility, but at least we will have the testimony of the various factors and the opportunity of the press to hear that testimony.

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<sup>97</sup> Foreign Liquidation Commission.

<sup>97a</sup> For incident at Anping, see telegram 7790, September 1, p. 114.

Admiral Cooke conferred with me at length yesterday regarding this situation and such plans as we should make against various eventualities.

Doctor Stuart and I and some of the Embassy Staff are working on a possible restatement of American Policy which I will submit to the State Department as soon as completed.

Respectfully yours,

GEORGE C. MARSHALL

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Marshall Mission Files, Lot 54-D270

*Memorandum by Colonel Claire E. Hutchin*

MEMORANDUM FOR RECORD OF INFORMATION DR. STUART WISHED PASSED TO GENERAL MARSHALL THROUGH COLONEL HUTCHIN, 23 AUGUST 1946

Dr. Stuart stated that what he had to tell was sort of a combination of information and speculation. General Marshall would of course be familiar with the particular individual, Li Li-san. You will recall that Li Li-san was expelled from the Communist Party 14 years ago and went to Moscow to live. Recently he came back, visited Yen-an and then went to Manchuria where he is now very active in all affairs concerning that area. There are many who believe he is working under instructions or guidance from Moscow, or alternatively has a working agreement with Moscow.<sup>98</sup>

Dr. Stuart considered that the information on Li Li-san's activities was reliable. Li Li-san is an advocate of peace at the present time and is working for a cessation of all hostilities.

If so, this probably means, Dr. Stuart conjectured, that the USSR is interested in keeping the peace in that area. Why? Are they planning some later detachment of Manchuria from the total problem of China perhaps? Are they plotting some elimination of interests with a view to establishing Manchuria as a special sphere of Soviet influence? Dr. Stuart thought it was quite possible that there was a forthcoming split between Li Li-san and Mao Tse Tung.<sup>99</sup> This was not factual but there were indications that there was a threatened break in the party. If the break occurred, leadership would probably go to one of the two men. What bearing would that have on immediate negotiations?

Certainly there is considerable evidence that there is some sort of agreement against fighting in Manchuria. It is relatively quiet and

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<sup>98</sup> Li, an original founder of the Chinese Communist Party, in 1921, was political adviser at this time to General Lin Piao, commanding Communist forces in Manchuria.

<sup>99</sup> Chairman of the Central Committee of the Chinese Communist Party at Yen-an.



while one sees fighting breaking out everywhere else in China, one could almost say there is something approaching peace in Manchuria.

Another speculation according to Dr. Stuart, is that perhaps the Generalissimo and Li Li-san may have some understanding through National Government General Tu Li-ming.<sup>1</sup> At least the Generalissimo seems to feel fairly secure and sure of his position in Manchuria as is evidenced by his use of it as a bargaining position; witness the 2½ provinces in exchange for five points.

C[LAIRE] E. H[UTCHIN]

Marshall Mission Files, Lot 54-D270: Telegram

*Brigadier General Thomas S. Timberman*<sup>2</sup> to General Marshall

[PEIPING,] 24 August 1946.

7445. Team 25 returned Peiping 1800, Friday 23 August. United States member of team reports that during 2 days of investigation (22 and 23 August) in Hsiang Ho, total of six Chinese Communist Party witnesses were interviewed by team including Fourteenth Military Sub-District Commander and Chinese Communist Party Company Commander as reported in our 7367 of 23 August.<sup>3</sup> The Chinese party unit involved was identified as the Fifth Company, Second Battalion, 53rd Regiment belonging to the Hopei-Jehol-Liaoning military area under the overall command of Hsiao Ke.

In the opinion of the United States team member, previous US reports and testimony taken on deployment of troops and general details of action during Marine incident was confirmed with one exception. The Chinese Communist Party witnesses interviewed here claim Marines fired first shot. The US member further reports indications that witnesses were briefed for this interrogation.

Team 25 departed Executive Headquarters for Anping 1300 today, 24 August to interview witnesses to be made available by the Nationalist Government. Team expects to return to Peiping early this evening 24 August.

Marshall Mission Files, Lot 54-D270: Telegram

*Brigadier General Thomas S. Timberman* to General Marshall

[PEIPING,] 25 August 1946.

7452. Team 25 returned Peiping from Anping 2200 hours Saturday 24 August after having interrogated two National Government wit-

<sup>1</sup> Also known as Tu Yu-ming.

<sup>2</sup> Director of Operations at Executive Headquarters, Peiping.

<sup>3</sup> Not printed.

nesses. Colonel Martin,<sup>4</sup> U. S. member, was chairman. During interrogation the second witness at Anping, the proceedings became deadlocked when the Communist Party member, General Huang, challenged the credibility of National Government witnesses. He accused the National Government of creating false evidence. National Government member refused to proceed with interrogation until CCP member either retracted his statement, substantiated his statement, or accepted reprimand from the team chairman. CCP member would accede to none of these. Further meetings were therefore suspended pending report of deadlock to Three Commissioners.

At this meeting General Huang was again rude to American members. For example: General Huang, referring to the team chairman, Colonel Martin, ordered the CCP interpreter to "speak up and interpret exactly what I say, do not be afraid of that big noise."

Strong protest was immediately lodged by U. S. Branch with General Yeh, Communist Party Commissioner, with request that he take necessary appropriate action to relieve the deadlock and permit team to proceed with investigation.

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Generalissimo Chiang Kai-shek at Kuling, August 27, 1946, Noon*

Generalissimo stated that he had given careful thought to the proposal that a small committee be formed of Communists and Government representatives with Dr. Stuart as chairman, to reach an agreement on unsettled details regarding the formation of the State Council. He was now ready to proceed and would direct Dr. Soong to nominate the Government representatives, one or more according to the desires of General Chou En-lai.

He then referred to the recent public statement of General Chou and Democratic League representatives to the effect that what was desired was an order for cease firing and the reconvening of the PCC. He stated that in his view an order for cease firing was not required, as this had already been provided for in the agreement of January 10th. All that was necessary was for the Communists to cease fighting. He stated that the PCC had discharged its function by reaching certain agreements, and he saw no purpose in reconvening that council. He appeared to accept the necessity for the continuation of the Steering Committee of the PCC which had for its job the settlement of some of the details involved in the implementation of the PCC agreements.

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<sup>4</sup> Col. M. Martin, second ranking American member of Team 25.

He referred to our lengthy discussion of the previous Friday when I orally transmitted to him General Chou's written statement handed to me<sup>5</sup> just before my departure from Nanking, stating that General Chou had information of offensive operations about to be launched by the Government in Shantung and against Chengte, also rumors that the Government was shipping gas to Hsuehchow. He said I could tell General Chou that so long as Communists attack, they must expect operations by the Government troops; that the recent mobilization order of the Communist Party was a declaration of open rebellion against the Government; and that regarding Chengte, Tatung was in the same war zone (the 12th).

I told the Generalissimo that I had not seen and therefore had not studied the recent public statements made by General Chou and the Democratic League Representatives, but that it appeared to me in all probability the desire was not so much for reconvening the PCC as it was for definite acknowledgement of a commitment to the PCC resolutions. I remarked that General Chou had insisted when the previous small group was formed to discuss local government in Kiangsu, that whatever agreement was reached should, as a matter of form, be confirmed by the Steering Committee of PCC. He again insisted on this procedure if the present small group committee was formed and reached an agreement. I stated that in my opinion, the Communists believed that the Generalissimo was endeavoring to bypass PCC procedure and commitments. Therefore the Communists were insisting upon positive evidence that the resolutions of the PCC were still being considered, therefore the insistence on confirming action, even merely as a matter of form, by the PCC Steering Committee. It was also the fear of the Communists that this matter would be so handled by the Government that other parties—Democratic League, China Youth Party and Non-party groups—would not participate in the discussions along with the Communists. Their presence was much desired by the Communists.

I then turned to the Generalissimo's opening statement that the cease fire order was not necessary because the agreement of January 10th provided for the cessation of hostilities. I pointed out to him that there had been great changes in the military dispositions and that the January 10th<sup>6</sup> agreement provided that troops would remain in the localities they occupied on January 13th until their redistribution was further agreed upon, in connection with reorganization of the armies and the reorganization of the government. I asked him

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<sup>5</sup> MM 133, August 22, p. 68.

<sup>6</sup> See memorandum by the Committee of Three to General Chiang Kai-shek, subject: Cessation of Hostilities, China, vol. ix, p. 125.



whether or not he meant that the positions into which his troops had recently advanced in Kiangsu were to be evacuated in accordance with the agreement of January 10th or did he have in mind an exception. I also cited an example of this same point in places occupied by the Government troops along the Tientsin-Tsinan railroad since January 13th—actually in July and August. His answer to this involved a lengthy discussion of operations in general and I did not get a definite reply.

I then brought up the question of the points already agreed upon in the cessation of hostilities in Manchuria which involved the evacuation of those places occupied by the Communists subsequent to June 7th. In a reply which did not provide me with a clear understanding of what was in his mind, he stated that once the State Council had been formed, it would be a medium for the discussion and settlement of these various points. He previously stated in connection with his feeling that there was no justification for the reconvening of the PCC, that this State Council would provide the necessary medium for settling details which still remained to be adjusted.

I then referred to his four, and later five, stipulations as conditions precedent to the cessation of fighting and which cited his stipulation that the Government would take over local governments in Kiangsu and certain other points upon the withdrawal of the Communist troops. Did he mean now that this issue should be settled by the State Council when created, which had been General Chou's contention all the time, or did he have in mind exceptions to his general statement regarding the immediate functions of the State Council? He made clear that he still insisted that the Government take over the local government in Kiangsu along the Tsingtao railroad and from Chengte to the south (and also I suppose in Antung, although he did not mention this) but that the issue could later be settled in the State Council along with the similar problem in other areas.

I stated that I was not certain as to what his views really were as to the cessation of fighting in relation to the organization of the State Council. He had seemed to imply that while the State Council could be in session discussing these general matters, the fighting would still be going on. I thought that was quite impractical. I said that possibly he had in mind something like this: Assuming the small group headed by Dr. Stuart would reach an agreement, that that agreement would be confirmed by the Steering Committee, that the representatives for the State Council were duly nominated and possibly that even the State Council had had its formal opening, then fighting should be terminated in somewhat the manner they had prescribed and agreed to for Manchuria. He replied that he thought

that was a good idea, that he would give it careful thought, and that he would also consider whether or not the redistribution of troops could be decided upon by the State Council. I again questioned him as to whether he was making an exception of the situation in Kiangsu and Jehol and along the Tsingtao railroad. He said that he was.

The interview terminated with his statement that he would send immediately to Dr. Soong instructions to nominate one representative or representatives to the special group, and that he would give careful thought to the outline I had just given of the method of procedure.

P. S. I forgot to mention the Generalissimo's comment regarding Manchuria. He referred to my view that once the fighting spread into Jehol, it would result in a general conflagration in Manchuria. He did not agree. He thought that if the Communists felt that they had the power for successful military action in Manchuria they would be fighting there now. I disagreed, and reminded him that this view of his was inconsistent with his statement some months ago that neither the Communists or the Soviets wanted to come out into the open in Manchuria, that they wished to accomplish their purpose or gain control under the cover of the Central Government. He made no reply.

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Marshall Mission Files, Lot 54-D270

*Extracts of Minutes of Meeting Between General Marshall and General Yu Ta-wei at No. 5 Ning Hai Road, Nanking, August 28, 1946, 9:45 a. m.*

Also present: Col. Hutchin

GENERAL YU: The Generalissimo has instructed me to take up with you, all matters pertaining to recent discussions with the Generalissimo and his recent instructions to Dr. Soong. I have had a report from General Pee<sup>7</sup> but wish now to hear it from you as I am confused on certain points.

GENERAL MARSHALL: The Generalissimo made an initial statement yesterday that seemed to solve everything; in fact, it was in perfect accord with what General Chou had set forth as his proposals for several months. However, when I probed into the statement with questions on particular items, I found that there were exceptions to be made bringing matters back to their original status in negotiations, except as to his agreement for the formation of the special committee.

For example, the Generalissimo stated that once the State Council was formed, it would then be able to resolve all political issues. I asked the Generalissimo if that would apply to the local government.

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<sup>7</sup> Peter T. K. Pee, personal aide to President Chiang Kai-shek.

problem in Northern Kiangsu, to which the Generalissimo answered, "No, that is an exception."

Regarding the recent public statement of General Chou and Democratic League representatives to the effect that what was desired was an order for cease-firing and a reconvening of the PCC, the Generalissimo told me that in his view, an order for cease-firing was not required as this had already been provided for in the agreement of 10 January. He also stated that the PCC had discharged its functions by reaching certain agreements and that he saw no purpose in reconvening that Council, the State Council could handle such matters.

Regarding the Generalissimo's statement that a cease-fire order was not necessary because the agreement of 10 January provided for the cessation of hostilities, I asked the Generalissimo if he meant what he really said for, if so, there were many places where Nationalist forces had moved in and from which they would then have to be evacuated. Was it the Generalissimo's intention to withdraw from such places in Kiangsu, along the Tsingtao RR line, etc.?

The Generalissimo discussed the railroad first and, in effect, said that the National Government forces had not occupied any places since 13 January that were properly Communist places. I could not agree to this and the Generalissimo then stated he would make a check.

GENERAL YU: Do you think that the Communists really and sincerely want to stop fighting and really want a cessation of hostilities?

GENERAL MARSHALL: Emphatically yes. That has been their contention for a very long period of time. What the Communists have done is exactly what I told the Generalissimo they would do, before he departed for Kuling. The Communists in my opinion are not intending to make strong demands for reconvening the PCC but they do feel that the Generalissimo is trying to walk away from the PCC and its agreements. In my opinion, the Communists are insisting upon positive evidence that the resolutions of the PCC are still being considered. That explains their insistence on confirming the actions of the special committee by the PCC Steering Committee.

The Generalissimo then mentioned that I had once expressed a view that when fighting spread north (meaning Jehol), it would immediately spread into Manchuria. The Generalissimo thought that the Communists would be fighting now in Manchuria if they could derive military advantage from so doing, and pointed out the peaceful conditions now prevalent in Manchuria. I told the Generalissimo that I did not agree with this estimate of the Manchuria situation. Also that his statement was inconsistent with previous statements he had made to me to the effect that the Communists and the Soviets both



wished to operate in Manchuria under the cloak of the Central Government.

When I told the Generalissimo of General Chou's written statement concerning offensive operations about to be launched by Government forces in Shantung and against Chengte, and also about rumors that the Government was shipping gas to Hsuehchow, the Generalissimo told me to tell General Chou that, in the first place, the Nationalist forces had no gas and, in the second place, Tatung is in the same war zone as Chengte (the 12th). Naturally they must proceed with force in order to meet the aggressive actions of the Communists.

I asked the Generalissimo to explain his conception of the cessation of hostilities agreement of 10 January but I did not get anything definite.

I took over then and outlined a possible procedure. First, assume that this small group of Dr. Stuart's is organized, assume that they have a meeting and are able to reach an agreement, assume that this agreement is confirmed by the Steering Committee of the PCC and that representatives for the State Council were duly nominated, and possibly that even the State Council had its first formal gathering, then it might be possible to terminate the fighting in somewhat the manner they had prescribed and agreed to for Manchuria. This is one procedure. Certainly fighting cannot go on simultaneously with negotiations in the State Council. The Generalissimo told me that this idea appealed to him and that he would give it careful thought. The Generalissimo also sent a letter to Dr. Soong, which he wrote during lunch, with instructions to nominate representatives to this special group of Dr. Stuart's.

Now, going back to my statement that when fighting breaks out of control in Jehol it will spread to Manchuria, I want you to keep it in mind, and not come to me with a complaint about the fighting started in Manchuria. I think that the Government will probably have success in and around Chengte. Perhaps the Communists will then retaliate, but there is no question in my mind that the Communists do wish to stop fighting. There is also no doubt in my mind, on the other hand, that certain Government military leaders wish to continue the fighting in an effort to gain certain local advantages.

GENERAL YU: The Communists should know very well by now that the Government will not accept any cease-fire agreement so long as the Communists continue to retain hold on certain places without giving up those illegally held. What territory are they willing to give up?

GENERAL MARSHALL: I do not now know what territories the Communists might be willing to give up, although I did at one time when.

the Communists were setting forth their proposals and making certain concessions. The Communists would probably be willing to continue on the 10 January basis but the Government never gave that a fair trial. There would be little point to delaying and investigating for another month until the situation was beyond negotiations. As it is, the Communists will think I connived with the Generalissimo to cause this additional delay of three days while I waited in Kuling to get the Generalissimo's answer to my proposal of last Saturday.<sup>8</sup>

GENERAL YU: This question of cessation of hostilities is so important that it could invalidate the effectiveness of the State Council. You said General Chou agreed to Communist participation in the State Council. Do I also understand that it is your view that this small group is not to become involved in handling all the other problems that will be brought up by the Communists?

GENERAL MARSHALL: Dr. Stuart and I proposed this procedure, this special committee, in order to get one basic step taken. We would confine our participation in discussions within this small group to establishing a State Council only, and we would avoid entering into the ramifications of the PCC, at least at this time. If the Communists do bring up other matters, it may be necessary to make some such statement as that but we do not want to do it now.

There are two main points that I want you to take away with you. First, this State Council should be established at the earliest practicable date as a means of going ahead with negotiations for a peaceful settlement. Second, there is no doubt but what the Communists want to stop fighting, but how long this will continue to be their state of mind I cannot say. If this fighting spreads to Manchuria, it means that you are inviting Russia to enter into the affairs of China. It will be your own undoing.

If we get this State Council established, it may be possible to compromise many other things upon which there is, at present, disagreement. It at least provides a common debating ground. The Government should nominate its two members immediately, giving important consideration to who is selected. Certainly, there would be no point to selecting someone with a frozen mind or someone unfamiliar with the current negotiations as he would be just an impossible person with whom to negotiate.

GENERAL YU: I am going over to see Doctor Soong on these matters, and I will keep your points in mind.

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<sup>8</sup> August 24.

Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and General Yu Ta-wei at No. 5 Ning Hai Road, Nanking, August 28, 1946, 5:30 p. m.*

Also present: Lt. Col. Hutchin

GENERAL YU TA WEI: The main purpose of my coming this evening was to inform you of the nominations for Dr. Stuart's special group. They are: Mr. Wu Teh Cheng, Secretary General of the Kuomintang Party, and Chang Li Sheng, Minister of Interior. Both of these men have been recommended to the Generalissimo this afternoon and they are still subject to his confirmation.

In my conversation over the telephone with the Generalissimo this afternoon, he confirmed my thoughts as expressed to you this morning; the main theme of his discussion with you was a political one of participation in discussions with Communists, leaving all military problems as side issues. He told me that what he had said to you in no way prejudiced his stand on the five points.

With reference to General Chou's letter<sup>9</sup> concerning the Chengte situation, the Generalissimo considered Jehol, Chahar and Northern Kiangsu as constituting the same strategic area. If fighting breaks out there, that is generally in the whole area, then the situation would be very grave. It is something that should be treated as an area and not as one city.

At my meeting with Dr. T. V. Soong, I brought out the point concerning the possibility that Communists might bring up issues which are beyond the scope of Dr. Stuart's small group. I told him that this would not happen because the Americans would insist that discussions would be confined toward settlement of the one basic thing.

I told the Generalissimo that you would not tell General Chou of any of the military discussions you held with the Generalissimo. I also told him we must do everything possible to put General Marshall in a position as negotiator of knowing precisely what is in the Generalissimo's mind. This is all I have to report.

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Marshall Mission Files, Lot 54-D270

*Meeting Between Dr. Stuart and Colonel Hutchin at the American Embassy, Nanking, August 28, 1946, 6:15 p. m.*

DR. STUART: The reason I wanted to talk to you was that I had a question I wish to put to General Marshall. It is one that really developed out of my conversation this afternoon with General Chou.

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<sup>9</sup> MM 133, August 22, p. 68.



Certainly we are all agreed that it is best to stop the fighting at once. I recall that General Marshall put a question to the Generalissimo concerning the cessation of hostilities, to which the Generalissimo replied that that would be as soon as the Communists stop their fighting. I reported this to General Chou and I asked him if there was any hope of stopping this fighting, I put it to him this way:

Supposing that Mao Tse Tung issued an order from the Communist Headquarters in Yenan which directed the Communist Field Commanders to stop all fighting and to do this within some stipulated period, say for example three or four days. Then should General Marshall with all his prestige and stature remind the Generalissimo of what he said at this meeting in Kuling yesterday, what would be the action of the Generalissimo? Would he give the same order to his field commanders? General Chou seems to think that the Communists are ready to give such an order providing that General Marshall followed up and brought pressure to bear on the Generalissimo to do the same.

It does seem to me that the time has come for Americans to put definite pressure on the Generalissimo. We can threaten him by all sorts of financial and material means but I hate to resort to such actions when it is not absolutely necessary. Here there may be a shortcut. Should the Generalissimo prove unwilling to issue orders similar to those already issued by Mao Tze Tung, a statement announcing this to the world coming from a world wide figure like General Marshall would probably force the Generalissimo into a position where he would have to comply.

I am not advocating or advising this step to him, only considering it. I wanted to put it to General Marshall as sort of food for thought. I have felt all along that the Generalissimo has wanted to take this step but hates to take it or to go against his followers. His mind says he must do it some time but he would like to put it off as long as possible in order to have the most advantageous military position. Certainly the cessation of hostilities would be to the interest of everyone and especially to Generalissimo Chiang Kai-shek.

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893.00/8-2846

*The Chinese Ambassador (Koo) to President Truman*

WASHINGTON, August 28, 1946.

MY DEAR MR. PRESIDENT: With reference to my acknowledgment of August 12th <sup>10</sup> of your letter of August 10th embodying a message to President Chiang Kai-shek, I have the honor, in accordance with instructions, to transmit to Your Excellency the following reply:

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<sup>10</sup> Not printed.

"I wish to thank you cordially for your message of August 10th, expressing your genuine concern for the welfare of my country.

"Since General George Marshall's arrival in China, he has labored most unsparingly to achieve our common objective, namely, peace and democracy in China. I, too, have done my utmost despite all obstacles to cooperate with him in his endeavour.

"But the desire for peace has to be mutual, and for the Communists, it must mean that they give up their policy to use armed force to seize political power, to overthrow the Government and to install a totalitarian regime such as those which are now spreading over Eastern Europe. The abandonment of such a policy is the minimum requirement for the preservation of peace in our country. After the conclusion of the January Agreement, the Communists attacked and captured Changchun in Manchuria and attacked and captured Tehchow in Shantung. During the cease fire period in June, they attacked Hsuehchow in Northern Kiangsu and Tatung and Taiyuan in Shansi. In the last few days, they have opened a wide offensive on the Lunghai Railway with Hsuehchow and Kaifeng as their objectives.

"Of course, mistakes have also been made by some subordinates on the Government side, but they are minor in scale compared to the flagrant violations on the part of the Communists. Whenever any mistake occurs on our Government side, we deal sternly with the offender.

"On August 14th in my V-J Day message,<sup>11</sup> I announced the firm policy of the Government to broaden speedily the basis of the Government by the inclusion of all parties and non-partisans, amounting to putting into effect the programme of peaceful reconstruction as adopted by the Political Consultation Conference on January 30th. I sincerely hope that the Chinese Communist Party will accept our views. The Government on its part will do the utmost to make peace and democracy a reality in this country in the shortest possible time.

"In implementing that policy which has as its aim our mutually declared objective, I am cooperating with General Marshall with all my power. Our success must depend upon the sincerity of the Communists in responding to our appeals. I am counting on your continued support in the attainment of our objective. Chiang Kai-shek."

Please accept [etc.]

V. K. WELLINGTON KOO

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893.00/8-2846

*Memorandum by the Director of the Office of Far Eastern Affairs  
(Vincent) to the Under Secretary of State (Acheson)*

[WASHINGTON,] August 28, 1946.

Attached is Chiang Kai-shek's reply to the President.<sup>12</sup> Dr. Tan of the Chinese Embassy has just handed it to me.

My initial impression is that it throws very little new light on the situation and that where it can be considered "encouraging", in the

<sup>11</sup> *United States Relations With China*, p. 649.

<sup>12</sup> See *supra*.

meaning of the President's letter to Chiang, would depend entirely on developments during the next few weeks.

I should think that transmission of the letter to the White House under a normal memorandum, together with our comment, will be a satisfactory way of getting it to the President.<sup>13</sup>

I have a copy and shall give it further study.

J[OHN] C[ARTER] V[INCENT]

Marshall Mission Files, Lot 54-D270

*Brigadier General Thomas S. Timberman to Colonel J. Hart  
Caughey, at Nanking*

PEIPING, 28 August 1946.

1. Attached for your background information is a study we have just completed on the effectiveness of the authority of Executive Headquarters. As you will note in the conclusions, no definite trend toward a break down of our authority can be discerned at this time. There are numerous problems such as inoperative field teams, unilateral action, and non-compliance with our directives by field commanders which are continuously testing our authority. These elements are considered in details of this study.

2. This study will be submitted to the U. S. Commissioner with the recommendation that the part having to do with corrective action be placed before the Three Commissioners for their consideration with a view to correction.

3. As we complete further studies of this nature, we will continue to pass them on as background and as the best picture we can present of the situation in Executive Headquarters.

T. S. TIMBERMAN

[Annex]

*Memorandum by Brigadier General Thomas S. Timberman*

[PEIPING,] 27 August 1946.

#### AUTHORITY OF EXECUTIVE HEADQUARTERS

[Here follow 23 numbered paragraphs on the problem.]

#### *Conclusions*

24. It is concluded that:

a. The general and special directives have established the legal authority for the existence and operation of Executive Headquarters

<sup>13</sup> The letter was transmitted to President Truman with a memorandum of September 4, not printed.



but do not endow Executive Headquarters with any real authority to enforce tripartite agreements.

*b.* All real authority of the Executive Headquarters is derived from the sincere desire of both Chinese factions to negotiate differences in good faith, and from the will of the Chinese factions to carry out fully the provisions of all tripartite agreements.

*c.* The most flagrant and serious threat to the authority of Executive Headquarters is the large number of inoperative field teams.

*d.* Unilateral action by the Chinese Branches is a threat to the authority of Executive Headquarters as grave as the inoperative field teams.

*e.* Refusal of field commanders to comply with instructions of the Executive Headquarters has remained a constant threat to the effectiveness of the Headquarters which will not be overcome until some form of punitive powers are delegated to the Three Commissioners by the Generalissimo and Chairman Mao Tze Tung.

*f.* Delay by the Chinese Branches in conducting field team operations is considered of no more significance than detracting from the authority of Executive Headquarters.

*g.* Restriction by each Branch of the negotiating powers of the lower echelons (staff echelons and teams) in Executive Headquarters will never be eliminated entirely and the hindering effect of this situation on negotiations must be ameliorated by the astuteness of the third party.

*h.* Challenging of the integrity of the United States representatives of Executive Headquarters should be opposed vigorously at its every appearance.

### *Recommendation*

25. It is recommended that :

*a.* This study be forwarded to the United States Commissioner for his information.

*b.* The United States Commissioner *discuss* the conclusions with the Three Commissioners with special emphasis on paragraph 24 *c*, *d* and *e*.

*c.* If the United States Commissioner considers the time appropriate an agreement (Appendix H) effecting corrective action be presented to the Three Commissioners for their agreement.

*d.* Chief of Staff be directed to continue a study of this problem to include the entire history of Executive Headquarters and to explore trends that may develop in the future.

[Subannex]

*Draft of Proposed Agreement by Executive Headquarters*

## APPENDIX H—AGREEMENT

1. The Three Commissioners have agreed on this date to take decisive action within their respective Branches to accomplish the following as a means of increasing the effectiveness of the Executive Headquarters.

*a.* All field teams will be made and kept operative to include replacing members who are absent, lifting restrictions of field team members and insuring strict compliance with General Directive No. 7.<sup>15</sup>

*b.* No unilateral action will be taken by any Branch of Executive Headquarters which violates or is contrary to the General and Special Directives or any three-way agreement accomplished on any level of the Executive Headquarters.

*c.* Positive steps will be taken by the Chinese Branches to insure compliance, by their respective field commander, with the instructions issued by the Executive Headquarters as a result of three way agreements. This will include instruction from field teams.

2. At the end of fifteen days from this date this agreement will be discussed again by the Three Commissioners to include a report of the progress that has been made by the respective Branches in implementing its provisions. Discussions will then follow along these same lines at thirty day intervals.

National Government  
Branch

Communist Party  
Branch

United States  
Branch

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between Dr. Stuart and Colonel Hutchin at Nanking, August 29, 1946, 11:30 a. m.*

DR. STUART: I wanted to pass to General Marshall the information that I had just obtained from Dr. T. V. Soong, reference the nominees for our special committee. They are:

Wu Tieh Cheng  
Secretary General of the Kuomintang party.  
Chang Li Sheng  
Ministry of Home Affairs.

Both are party men.

They have planned to go to Kuling tomorrow in order to obtain explicit instructions from the Generalissimo; this means there will be

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<sup>15</sup> Quotation from preceding memorandum: "General Directive No. 7 was issued to protect Field Team members, insure freedom of movement, and to simplify team procedure with relation to priority for investigations. It has been generally ignored and in some instances it has been flagrantly violated."

a delay in our special group getting started just that much longer.

The nominees are not the best people possible but I believe they are at least a workable combination with our special committee. Naturally I would have preferred the appointment of Shao Li-tze.<sup>16</sup>

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and General Chou En-lai at No. 5 Ning Hai Road, Nanking, August 29, 1946, 5 p. m.*

Also present: Col. Hutchin  
Mister Chang

GENERAL CHOU: I had a talk with Doctor Stuart yesterday. Did Doctor Stuart talk to you on the points which he and I discussed?

GENERAL MARSHALL: I have not seen Doctor Stuart since that talk, but he did ask Colonel Hutchin to take up one matter with me. I do not know whether or not it included your specific points. If you would review them for me, maybe I can tell. He only communicated with me regarding one thing. What were the points you made?

GENERAL CHOU: I talked with Dr. Stuart on four points. First, Dr. Stuart said that according to you, the Generalissimo had mentioned the cessation of hostilities to the effect that if the Communist Party would stop fighting, there was no reason for the Government not to stop it. I discussed this point with Dr. Stuart, whether it is feasible to put that on trial. On the Communist side there should be no difficulty with implementing a truce. If the Generalissimo's expression is definite, then we could immediately issue an order to cease fire on the Communist part and field teams may be sent to all places to witness whether, in the various trouble spots, the Communists have stopped fighting. Then the Government may immediately follow that with the issuance of a truce order. I think there would be no difficulty with sending forth teams for there are many Americans in Peiping. I would like to know whether the Generalissimo had that clearly in mind.

GENERAL MARSHALL: Is that about all that Doctor Stuart said of my conversations with the Generalissimo on that subject?

GENERAL CHOU: Yes.

GENERAL MARSHALL: To begin with, that is not a complete statement and might be misleading to you. As a matter of fact, the Generalissimo said that there was no necessity of issuing an order for the cessation of hostilities, in that the agreement of January 10th provided for that and that all that was necessary was for the Com-

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<sup>16</sup> Secretary General of the People's Political Council.



munists to stop their fighting. He continued with some comments in regard to the State Council affording a basis for settling details.

I replied that that was almost identical with your proposal and that I wished to be certain that he meant exactly what that statement conveyed to me. In the first place, the agreement of January 10th included certain provisions as to the places occupied on January 13th. In the next place, he had made specific points regarding certain regions—North Kiangsu, the Tsingtao-Tsinan railroad, Chengte and the matter of local government in certain areas. Now how does he relate those factors to that statement?

While the following discussion was not precise in statement, I gathered fairly clearly that he was not withdrawing the conditions he had made regarding Northern Kiangsu, the Tsingtao-Tsinan railroad, Chengte, and local civil government in those particular places, nor did I get a clear understanding of his conception of the application of the agreement of January 10th to the present situation. Now that is where that particular discussion terminated. I wanted you to have the same understanding as I did of what had taken place. Quite evidently, that will give you a different impression than you got in your discussion with Doctor Stuart, but it will give you a clear impression of what transpired.

Doctor Stuart gave me, through Colonel Hutchin, some idea of his discussion regarding the possibility of Chairman Mao Tse-tung, himself, issuing an order that in three or four days, the cessation of fighting would take effect for the Communist armies, with the understanding that I would undertake to exert all the influence I possess on the Generalissimo to follow that with a similar order to the National armies. Despite the fact that that discussion by you was not based on a complete understanding of the matter, I have been turning the matter over in my mind to see if, even so, there is a possibility. I will discuss the matter very frankly. Would such action by Chairman Mao Tse-tung favorably influence the Government representatives in this small group? It would either influence them or embarrass them.

Assuming this small group (I will call it the Stuart group) reached an agreement, would this action by Chairman Mao Tse-tung exert a favorable influence on the adjustment of military differences? I have tried to think of the probable reaction of the Government officials, particularly the militarists who, I think, are strongly disposed to a policy of force. I anticipate that those leaders would claim that the Communist action was to take advantage of the present Communist dispositions, particularly near Tatung and was intended to embarrass the Government in its movements for what it claims as defensive action—what I would normally characterize as retaliation.

If such an order was issued by Chairman Mao Tse-tung and was followed by a similar order by the Generalissimo, would there inevitably be a resumption of fighting when we came to these conditions that the Generalissimo has been insisting upon regarding Kiangsu, the railroad and Chengte? I gathered from Doctor Stuart's report to me that the idea was to have the order issued by Chairman Mao Tse-tung and that that would be the first intimation to the Government of such intention and then it would be for me to exert pressure on the Government to issue a similar order. Is that correct?

GENERAL CHOU: Yes.

GENERAL MARSHALL: Now, what would happen if I informed the Generalissimo that his statement had been repeated to you and that you were considering, with Yen-an, the merits of Chairman Mao Tse-tung issuing such an order. At least there would be an opportunity for the Generalissimo to express himself as being antagonistic to the whole procedure and completely distrustful. It might be that it would cause him to take immediate action himself, though I doubt it, to anticipate Chairman Mao Tse-tung's action.

I have raised the various considerations that I can think of so that in contemplating any action, you will know in advance what I think are the possible complications or advantages of procedure. With further reference to the matter not directly relating to it, I think I should give you some additional reports of my conversations with the Generalissimo.

The Generalissimo stated that he saw no reason for the reconvening of the PCC because it had discharged its functions when it reached certain agreements. He felt that the State Council would then be the proper body to settle details. I expressed my opinion that the Communist Party felt, or feared, that the purpose of the Generalissimo was to by-pass the PCC and in effect, to abandon its actions. For that reason (this being my opinion) you had always insisted that whatever small committee action was arranged, the agreements reached, if any, should be confirmed by the Steering Committee of the PCC. I then secured the Generalissimo's agreement to such action by the Steering Committee to confirm whatever agreement is reached by the Stuart Committee.

I also discussed at considerable length the idea that the State Council would be an appropriate body to reach a settlement of the various political factors concerned and many of the military factors. In fact, he made such a complete inclusion of military factors that I questioned that he meant quite that, and it developed that he had exceptions. For example, his statement was so general that I questioned him as to whether or not he was referring the problem of

local government in Kiangsu to settlement by the State Council rather than the previous stipulation that the Government insisted on taking over that local government. He stated that the question of the local government in Kiangsu could be settled by the State Council, but on further questioning by me, he stated that until the State Council reached a settlement of the matter, the Government would take over the local government which would have been in accordance with his original insistence.

In discussing the rather general statement he made regarding cessation of hostilities, I stated that the situation was greatly changed since January 10th and the matter was not as simple as he had indicated by his statement. If I were to be concerned in the mediation of details, I would have to have a very clear understanding of just what was intended. He did not make a clear explanation for the treatment of details and said he would have to have a map and certain information. I went ahead to describe what might be a procedure.

That is, assuming that the Stuart group reached an agreement, assuming that the Steering Committee confirmed the agreement, assuming the individuals were designated to form the State Council and possibly assuming that the State Council gathered in an opening, first to give it being but not to negotiate, then we should turn to the immediate termination of hostilities if it could not be accomplished before that time. He said that appealed to him and he would carefully consider the matter. I went on to say this, that time was the consuming factor. That my own view was that if this situation was permitted to develop much further, neither he nor Chairman Mao Tse-tung could bring it under control, short of a very prolonged fighting. In other words, negotiations would be, at least for a long time, out of the question. Therefore, whatever was to be done had to be done quickly, that there had already been, I was afraid, fatal delay.

Now, it was only during this last conference with the Generalissimo in which I secured his agreement to the Stuart Committee and to the confirming action by the Steering Committee of the PCC, a discussion which incidentally was not concluded until 1:30 of the day I left Kuling. In a preceding conference I had given him your message,<sup>17</sup> to which he replied that the Government had no poison gas and that, regarding Chengte for example, I was to say to you that that was in the same War Zone as Tatung and that the Government felt free to defend itself by such actions as were necessary in view of the Communist actions at Tatung. Incidentally, they just gave me a note while I am sitting here from Yu Ta Wei that Communist forces had evacuated Chengte 9:30 this morning and the 13th Army had moved in.

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<sup>17</sup> MM 133, August 22, p. 68.



Now, in connection with all this, I think I should give you my own estimate of the Communist Party at the present time. You will know whether I am correct or not. But you can utilize my estimate in interpreting my part in this discussion with the Generalissimo.

I have assumed that the Communists have practically reached the conclusion that the Government is intent on going ahead with military operations to gain at least more favorable positions and proceed to follow a general policy of force. I have assumed that the Communist Party is endeavoring to prevent the Government forces from getting the Communist forces into a weak position and is also endeavoring to strike such blows as possible in the hope of convincing the Government that it will not be profitable to follow a policy of force. I have assumed that if the foregoing assumptions are correct, the further effort of the Communist Government to proceed without embarrassment by any negotiations with which I am concerned, which I assume is particularly the reason for the considerable propaganda directed against me. And, I repeat my belief that if the situation continues to develop very much further it will get entirely beyond control of either the Government or the Communist Party.

So far as the Government is concerned, I have assumed there are individuals, particularly military leaders, in the Government who are firmly convinced that the policy of force is the only practical course, and they are also of the opinion that it is within their capability of carrying out such a policy. I have assumed that a certain political group within the Government agrees with the military group that I have just referred to; but also that there is a considerable liberal group that has an opposite view.

GENERAL CHOU: I appreciate your giving me the details of the discussion with the Generalissimo at Kuling. The result of that discussion was in no way surprising to me but rather confirms rather well my expectations. That is why when I heard from Dr. Stuart about the Generalissimo's statement, I did not immediately make that statement as a basis for working out a procedure because it seemed still questionable whether it can be done or not. But since it seems that there might be such a possibility, I made this positive proposal and discussed it with Dr. Stuart. This proposal entered into my mind merely at that moment because I was very anxious to find a way out of this situation. I did not obtain any previous instruction from Yen-an, nor had I considered that formula with Yen-an, nor did I report to Yen-an about yesterday's discussion because I preferred rather to have Dr. Stuart talk it over with you again and that I, myself, would also confer with you today in order to make sure whether such a proposal can be submitted or not. I wish to repeat this is only

my suggestion and my purpose is entirely to find a settlement. Though I doubted from the very beginning whether such a proposal would be practicable or not, it expressed my anxious desire for peace. Now, after your statement, the situation is perfectly clear and it seems that my proposal is rather superfluous. But it might still be a subject for consideration. At the same time, from your statement I also made consideration on many other things and I wish to speak very frankly to you as you did to me.

GENERAL MARSHALL: I do not know as that is entirely superfluous; that suggested action by you. I urged very strongly similar action by the Generalissimo when he went to Mukden, that without consulting anybody he would do it. I had him ready to do this until his military leaders got hold of him up there. I think he would have gained a great improvement in the situation and it would have been to his great advantage. Now the shoe is on the other foot. I repeat again that I am not so certain that your proposal is so superfluous an idea as you suggest, but I wanted you to know all the conditions so that you would not labor under any misunderstanding.

GENERAL CHOU: I wish to make clear that in considering any proposal for peace we cannot link up the mediation with the situation in the front because if we connect those two, then there would be almost no means to find out a settlement because the situation in the front is changing every day. If we based our formula for mediation on that basis, the result would be that fighting will merely grow larger and larger. I received a report yesterday, for example, that in North Kiangsu the Government lost two divisions and one regiment—one division from the 99th Army and the other from the 56th—comprising about 15,000 men.

Of course, on the other hand, we have the other report that the Government forces have taken Chengte and I certainly surmise that they took it by force. It may, therefore, evoke Communist retaliations around Tatung. Now if we link up those two matters then any peace mission will seem almost impossible. So, on my part I never connect up the two. Of course, in conferences with the Generalissimo or our military leaders, we have to connect it up but when contemplating any possible matters to achieve peace we should not connect it up. It was in that spirit that I thought of that proposal.

Now that is true with the State Council. Originally I endorsed Dr. Stuart's proposal and accepted your suggestion that we first discuss the reorganization of the Government so that as soon as an agreement has been reached the fighting can be stopped. But, in view of the present circumstances, it seems that that hope has no foundation because the crucial point now seems to be that while we expected that as

soon as the discussion on government reorganization had been completed and that we have demonstrated our good faith by participating in that government, the Government would agree to issue an order for the cessation of hostilities. But, according to the Generalissimo, he will still insist on taking over North Kiangsu, the Tsingtao-Tsinan railroad and Chengte—not only the city but also the region to the south of it—after the government reorganization and before the agreement has been reached regarding the local governments. In case he could not take over those places according to his wishes peacefully, then he would resort to force. In that case, even when we reach an agreement on government reorganization and even when the Communists participate in that government, a resumption of fighting could still not be prevented. In that case the situation will be grave and, therefore, if we now comply—if we follow the course of the Generalissimo—we would have no guarantee that the fighting will be stopped.

I wish to make clear that according to the original suggestion by you and Doctor Stuart, we would first tackle the problem of government reorganization in order that we might accomplish the issuance of a cease fire order. But now, according to the analysis of the Generalissimo's intention, it seems that even if the Government has reorganized and that the Communists are situated in the Government, there will still be no achievement of peace because, by that time, either we have to yield those disputed places to the Government, thus violating the PCC resolution, or he (the Generalissimo) would take those places by force. Such a course would be contrary to our and Doctor Stuart's original expectation.

Now, the third question is regarding the PCC. As to the reorganization of the government, I am now given to understand that the Generalissimo agrees to the fact that an agreement could be worked out by the Stuart group and the various parties will be notified of confirmation by the Steering Committee of the PCC. However, as regards the draft constitution, it is my opinion that that cannot be taken up by the State Council, because the PCC itself has created a special body for the purpose of completing that draft constitution. Therefore the work should still be continued by that body—Constitutional revision committee—it will then subsequently be passed by the Steering Committee of the PCC. This has nothing to do with the State Council.

Another question is regarding the representatives of the National Assembly. The final arrangements of delegates should also be made by the Steering Committee of the PCC, because this does not come under the jurisdiction of the State Council for two reasons:



1. In case it will be discussed by the State Council, it would be against the PCC resolution.

2. Within the State Council, any transaction will be passed by a simple majority.

Special consideration cannot follow that procedure. They would be overruled by the Kuomintang elements. Those considerations have been specifically expressed in the PCC resolutions. They are not the ordinary administrative matters. This points out that in many ways we are still at great variance from the Government.

GENERAL MARSHALL: I would like to add this comment right now. I accepted in the first place, the great difficulties involved in reaching an agreement for the cessation of hostilities. We had utterly failed to get action. I realize the complications about delegates to the National Assembly and also about drafting a constitution, but I approached this present problem, at this time, in trying to find one thing we could do and reach an agreement on, and which would be a positive evidence of the beginnings of a coalition government. Having reached such an agreement my hope was that the reaction would be so effective that it would increase the probability of our finding an agreement for the cessation of hostilities. In my discussions with the Generalissimo I took his general statements, which appeared favorable, and deliberately searched out every difficulty in my questions so that we would have a clear understanding of just what the difficulties were and not be moving in the dark. I was not surprised by the difficulties. I was surprised by the general statement which seemed so favorable.

GENERAL CHOU: The reason why we were interested in the idea of discussing government reorganization was that we share the hope that in case an agreement could be reached on this subject, we would promote the securing of a truce and thus make the hope of the people, here and abroad, for a peace in China, a reality. As the matter now stands, it seems not difficult to reach an agreement on the government reorganization if the government would not use that discussion for stalling. But it is still absolutely uncertain whether, after such an agreement is secured, the government would issue a cessation of hostilities order.

Now, just as you have analyzed, there are still many complications and issues unsettled. Therefore I am turning over in my mind whether by following such a procedure, it might not leave an illusion that peace is in sight, when actually there is no prospect. Following such a course would be tantamount to deceiving the people, because the result of such a procedure would be to obscure the government's intention to carry on the war. Under such circumstances, the Ameri-

can government may also continue its assistance to China. It seems that it is perfectly permissible to continue assistance when peace is in sight. But the result will be that while the Communist Party is being subjected to all kinds of commitments, the war-like elements on the government side would enjoy every facility to continue the war.

I am turning over in my mind the advisability of simply stating to the people how the situation actually is in China. That the war-like elements on the Government part insist on prosecution of the war and while we have been exerting every means to secure peace, they would not come to terms. By revealing actual facts to the public, we may arouse the opposition of public opinion against the continuation of war in China. The American Government may also stop its assistance to the Chinese Government. In this way, public opinion may eventually put all pressure to bear to secure a cessation of hostilities. Otherwise we would never get the result of peace. So what I am thinking is that while on the one hand we should by every means try to convince the Government that its reorganization would be profitable to their side, while on the other hand, public opinion should make emphasis that a policy of force will be opposed by everybody.

Therefore, I am of the opinion that Dr. Stuart's group may meet for informal discussion about government reorganization, and I feel pretty sure can iron out the differences in two or three days. I also hope that you and Dr. Stuart would give some kind of assurance to the effect that in case a common ground has been worked out by Dr. Stuart's group and in case the government still refuses to stop fighting, then you would make some explanations to show that the responsibility for the continuation of the war rests with the Government side. In other words, in case the Government could still not be persuaded to stop the fighting, the American Government would clarify its own disposition toward the situation.

Otherwise, the actions of the American Government, while serving on the one hand as a mediator between two parties, on the other hand, it aids the Government side in a civil war. It would make the American policy difficult for the Chinese and the American people to understand. It is natural that under such circumstances the Communists might complain and make criticisms. It appears to me that while we accept Dr. Stuart's proposal to make a future effort towards securing peace, we are actually undergoing another trial to see if we can stop the fighting. By adopting this procedure, we should no way permit the Government to take advantage of it for a stalling and for facilitating the war actions on the part of the Government. Instead of continuing this present state of affairs, we should rather explain to the world that there is a total war in China and that the Govern-

ment is refusing to negotiate. It would at least make the mind of the general public clear and it would also help the American Government to clarify its own state of affairs. That would be much preferable than the obscurity of the general situation we have which seems to me very dangerous. Therefore, this is my attitude toward the informal discussion of Doctor Stuart's group.

GENERAL MARSHALL: I want to say this at this moment. It was with great difficulty that I persuaded the Government to agree to this special group to promote the organization of the State Council. The Government was not trying to persuade me—I was trying to persuade the Government. The Government was insisting that the Communist Party would not go through with any agreements and would follow a policy of obstruction. The Government was insisting that the Communist military actions were not justified. Under those conditions I pressed for this action—not the Government.

The next point pertains to your reference to American support of the Government. In my opinion you are confusing propaganda with fact and Chinese propaganda is far from fact. It consists in exploiting of any item that can be found, regardless of whether or not there is any actual support of hostilities involved. I have stopped, I think, almost every direct support of the Government in a military way and yet the propaganda would seem to indicate that the fight could not go on a week without the military supplies and support the U. S. Government is alleged to be giving the Kuomintang Party—otherwise the Government. The procedure that you outline with relation to this propaganda effort and with relation to the U. S. Government and its prospective action merely means to my mind that we go ahead with the war to ultimate disaster for the people of China.

I received your message<sup>18</sup> regarding this surplus property committee. I presume you have read their statement.<sup>19</sup> A major, and possibly the most serious, charge in your communication related to an air agreement. That actually consisted of Mr. McCabe agreeing the night before the plane left to bring out a representative of the State Department in no connection with the surplus property affair, but having to do with a long range matter that pertains to the world. It is useless to expect the U. S. Government to black out China and have no consideration whatever for its relation, for example, to this air matter the State Department wished to discuss in connection with the international meeting held in San Francisco some time previously. The campaign that has been going on on the part of the Communist Party against practically everything pertaining to the U. S. Gov-

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<sup>18</sup> See telegram of August 27 from the Consul General at Shanghai, p. 1052.

<sup>19</sup> *Ibid.*



ernment in relation to China, I just accept as political propaganda, because it virtually has had no relation to the operations at the present time in actual effect. But it has been said so often, which is the purpose of propaganda, that the people that prepare it probably have begun to believe it. Now to depend on that propaganda to win the battle is a vital mistake. Just as depending on the action against the Marines to drive them out of China was an even more vital mistake. I trust that you will not let all these preposterous statements deceive you into decisions that I consider would be fatal to the interests of the Communist Party.

I will sacrifice a source of intelligence by telling you that I have access, and have since last March, not through the Chinese, but otherwise, to all the instructions from Moscow to the Soviet representatives in Shanghai for propaganda, and also the reports of the Shanghai group in answer to questions and in explanation of their propaganda efforts. I have had that in detail once a week since last March. I don't issue any propaganda statements. I practically issue no statements, but I would like you to have in mind the Central Government's propaganda, which at times has been adverse to me, your own party's propaganda which has certainly been condemnatory of me, and now this Russian propaganda which has an international purpose, but which parallels Yen'an propaganda. Not that I assume collusion, but it is a similar treatment of the same situation. There is no respect whatever for fact. There is a complete disregard of fact and almost every action can be timed with other considerations.

For some time past, for a definite period of weeks, I personally have been under attack. At the same time I have been reading the instructions of the Russians from Moscow regarding me personally along the same line of propaganda. We can't ignore such procedure, but on the other hand, I think it will be fatal if you form a conclusion from it. Conclusions should be based on facts. I have regarded all this propaganda as inevitable. It is the technique and the method employed by the parties concerned. I want you to have in mind that there is no American propaganda at all, other than individual reflections on this wealth of propaganda in China. I find myself in the very difficult position with the irreconcilable members of the Kuomintang Party, who were largely opposed to all I have been trying to do, rejoicing in the attacks of me by the Communist Party as being to their advantage. On the other hand, the situation reverses itself in a good many considerations of the Government propaganda as well as other actions—which embarrass me. I am sitting in between the two trying to be tolerant and understanding and patient. I assume I am misunderstood, in fact I know I am misunderstood by many in the Government.

and if not misunderstood, I am bitterly resented. I don't have to tell you what the feeling is regarding me on the Communist side. But my own position is purely impersonal in this; without offense, even without irritation, except that I am deeply concerned as to the extent which such a situation makes more difficult or impossible the termination of hostilities.

Dr. Stuart entered the meeting at this point.

GENERAL MARSHALL: It is getting rather late and so long as Doctor Stuart is here I would suggest to you that informally and without any record, you outline directly to Doctor Stuart a little of what we have been discussing, with no translation for me.

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893.00/8-2946: Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, August 29, 1946—5 p. m.

[Received August 30—7:45 a. m.]

1400. Announcement has been made of death sentence passed in Kunming on two junior officers of the special service battalion of the Yunnan garrison headquarters by military court as penalty for assassination of Wen I-to. (ReEmbtel 1337, August 20 and previous.) Announcement was made in statement giving history of case, details of trial and the verdict. General Ho Kwei-chang, Yunnan garrison commander, was relieved of his command for failure to maintain peace and order in Kunming and properly discipline his subordinates. Ho Shao-chu, a nephew of Ho Ying-chin<sup>20</sup> and deputy garrison commander, has been appointed to succeed Ho Kwei-chang.

A statement made by the two officers in admitting their guilt said that their acts were premeditated and was caused by their inability to accept with [apparent omission] criticism of military forces made by Wen I-to at the memorial service for Li Kung-pu immediately preceding Wen's death. If anyone has yet been charged with the murder of Li Kung-pu, no announcement of this has been made.

An airgram from Consulate in Kunming dated August 12,<sup>21</sup> which is being forwarded to Department, states that all those who took refuge in the Consulate with the exception of one have left Kunming now, and that this person is scheduled to leave within a few days with Liang Sou-ming<sup>22</sup> who has been in Kunming investigating the case on behalf of the Democratic League.

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<sup>20</sup> Chief of the Chinese Military Mission to the United States and Chinese chief delegate to the United Nations Military Staff Committee.

<sup>21</sup> Not printed.

<sup>22</sup> Social reformer, university professor, and author of *Rural Reconstruction in China*.

Press reports have recently stated that Chang Lan, Democratic League Chairman, was beaten up by special service agents in Chengtu a few days ago at a memorial service for Li and Wen.

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and General Yu Ta-wei at No. 5 Ning Hai Road, Nanking, August 30, 1946, 10:45 a.m.*

Also present: Lt. Col. Hutchin

GENERAL YU TA WEI: I would like for you to tell me generally what resulted from your meeting last night with General Chou En-lai in order that I can pass this information on to the Generalissimo.

GENERAL MARSHALL: I can tell the Generalissimo directly what transpired last evening as I plan to go to Kuling this afternoon. However, for your information General Chou appears to be greatly disturbed over the situation. He was not particularly hopeful as to what might result from the establishment of Doctor Stuart's small group. He was inclined to feel that the procedure Doctor Stuart and I have proposed—State Council discussion—would constitute merely a prolongation of the war, and would, in effect, mislead the people of China into a too optimistic point of view. However, he did agree to go ahead with it.

Doctor Stuart had commented to General Chou about the Generalissimo's statement to me that there was no necessity for issuing a cease fire order as they already had that from the 10th January agreement, and in fact, all that was necessary was for the Communists to stop fighting. General Chou had given considerable thought to that point of view and referred to it in his discussions of last night. I took particular pains to tell him that the Generalissimo had not revised his previous stand on the five points. I did not explain to General Chou the Generalissimo's apparent confusion over the terms of the statement of 10 January.

General Chou agreed to go ahead with the business of Doctor Stuart's small group. Even though he thought it would prove to be misleading. I felt that there would still be the hope for a more definite basis for the termination of hostilities. I will explain all that to the Generalissimo tonight.

You might say that Doctor Stuart will proceed toward the solution of only the one basic step in the hope that it would serve to clarify the atmosphere. I continued to emphasize, to put clearly into General Chou's mind, that this was something we (General Marshall and Doctor Stuart) were hoping to accomplish and that we felt there was



nothing else we could do right now. At least the course of action we proposed would serve to extend hope toward reaching a solution.

One of the main troubles is that the Communists are more or less the victims of their own propaganda which is evidenced by the great importance they attach to the alleged assistance being given to the Kuomintang by the United States. They have played this theme song to a "fare thee well" as though every effort of the Kuomintang is now, and will continue to be, dependent upon the immediate support they are receiving from the United States.

GENERAL YU TA WEI: In this connection I would like to show you a message I have just received concerning orders we placed for some one hundred thirty million dollars worth of ammunition needed, and which we had hoped to buy from the United States. This message indicates that the requisitions were approved all the way up, but in the last analysis the State Department disapproved granting the necessary export license. The reason stated for this disapproval of an export license was that the ammunition was intended for a representative National Army under a coalition Government.<sup>23</sup> This is the first really major evidence of restricting United States aid to China and it will naturally put our Government in a very difficult position.

GENERAL MARSHALL: I am much interested in seeing this message, although I had nothing to do with it. I anticipated, and so told you, that it was just a matter of time before such a step would be taken. I have been in a position right along to stop this, and to stop that, but I have refrained from doing so in an effort to do everything possible to reach a solution for the peace of China. This transaction about the ammunition exports has apparently been handled in Washington without any reference to me. I am glad that it was for it confirms exactly what I have been telling you and the Generalissimo for some time.

From this point on, the conversation was held off the record.

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Marshall Mission Files, Lot 54-D270: Telegram

*General Marshall to President Truman*<sup>24</sup>

[NANKING,] August 30, 1946.

1422. DEAR MR. PRESIDENT: In a series of interviews with the Generalissimo at Kuling I secured his formal agreement to the creation of a special group of five men with Dr. Stuart as chairman to pave the

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<sup>23</sup> See letter of August 23 to the Chairman of the Chinese Supply Commission, p. 757.

<sup>24</sup> Copy transmitted to the Secretary of State on August 31 by the War Department.

way for the formation of the Coalition State Council of forty members, and also his agreement to have the conclusion of this group confirmed by the steering committee of the Political Consultative Council. This last was to convince the Communists that he was not seeking to evade the Political Consultative Council agreements of last winter. Since my return to Nanking the two Government representatives have been designated and they left for Kuling this morning to confer with the Generalissimo. Incidentally, he has not in any way moderated his insistence on certain conditions which must be met by the Communists in order to secure a cessation of hostilities.

In view of the conditions mentioned in the last sentence, Chou En Lai is dubious about the proposition of creating the State Council because he claims it will only serve to give false encouragement to the people generally, here and overseas, as the Generalissimo has no intention of facilitating the cessation of hostilities by moderating his previous harsh terms.

The general situation is this: Both sides claim the other side is leading and pressing the fighting. Both claim the negotiations are being utilized by the other side to gain time for favorable military operations. My estimate and that of my associates and a select few of our most experienced foreign correspondents is that the Government militant leaders feel that they can settle the matter by force or at least can gain favorable advantages of position by force in the near future which will compel the Communists to make the desired concessions in order to terminate the fighting.

The Communists have practically reached the conclusion that the Government does not intend to settle matters peaceably and is deliberately pursuing a policy of force. Therefore they are striking as heavy military blows as possible both to protect their military positions and to discourage the Government against a policy of force. Also they are seeking by intense propaganda and any other means available to terminate all American assistance to the Government which they claim is making possible the latter's military effort.

There are leading military participants on both sides who confidentially take a somewhat Chinese view that several months of fighting will be a necessary procedure looking to an acceptable adjustment. What happens in the meantime to the hundreds of millions of oppressed people is ignored. Also what happens in the way of Soviet intervention overt or covert is also ignored or not mentioned.

In this situation Dr. Stuart and I are concentrating on the measure to create a State Council as at least one definite step towards governmental reorganization that may exert an influence sufficient to permit us to secure a basis for the termination of hostilities.

Since the Generalissimo in a statement to me last Tuesday declared that all that was necessary to terminate hostilities was for the Communists to stop fighting, and abide by the cease firing order and terms of January 10, though under my questioning he admitted that he was not moderating his recent terms regarding Kiangsu, etc., Chou En Lai has been considering the possible effect of an independent declaration by Mao Tse Tung calling a halt to all Communist fighting for a period of say four days to see what action the Government would then take. Chou has radioed Yen-an and expects a reply tomorrow morning. Therefore I am leaving for Kuling this afternoon so as to be there in case the Communists take this step. Dr. Stuart meanwhile will continue discussions here in Nanking and initiate the organization of the group under his chairmanship as soon as the two delegates return from Kuling.

The investigation of the Anping Marine-Communist incident has recently gone forward with less of complication than I had feared but I do not anticipate an agreement on the findings.

G. C. MARSHALL

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893.00/8-3046

*The Ambassador in China (Stuart) to the Secretary of State*

No. 76

NANKING, August 30, 1946.

[Received October 8.]

SIR: I have the honor to refer to my despatch no. 33 of August 7, 1946<sup>25</sup> and to state that since submitting it some slight though distressingly slow progress has been made on the issues dealt with therein. For instance, my suggestion of an informal committee to prepare the way for the beginning of a Coalition Government was made to President Chiang on August 1. Only yesterday I learned of the names of the two government representatives, General Wu Tieh-cheng, Secretary-General of the Kuomintang, and Mr. Chang Li-sheng, Minister of Interior. They have left today for Kuling for specific instructions, returning perhaps tomorrow. The two Communist members have been long since determined on: Chou En-lai and Tung Pi-wu. I hope, therefore, that the little committee can meet on September 2.

The issues to be discussed will probably be confined to details of membership and of veto rights on the State Council. This, according to the agreements reached last winter, was to consist of forty members—twenty appointed by the Government, twenty others to be

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<sup>25</sup> Vol. ix, p. 1465.



divided among the Communists, two other minor parties and those representing no party but named by President Chiang. Shall the Communists have eight or nine or ten members, and how can they be assured that the previous agreements be not violated? These appear to be the main Communist anxieties. They regard the Political Consultative Conference (PCC) agreements as their life-line and seek protection against any alterations in these. Perhaps a two-thirds majority vote on any such proposed changes might give them this protection. In any case the issues involved do not seem too difficult if both sides really want to find a solution. Assuming that they can and do reach a settlement, this would be regularized by the so-called Steering Committee (ten members—two for each party and two non-party), and plans could be put into effect at once for calling a meeting of the State Council. This in turn would serve as a sort of Interim Congress arranging for the National Assembly and the adoption of the Constitution on November 12.

Meanwhile General Marshall and I are still trying to find a formula for the cessation of hostilities. President Chiang remarked to General Marshall as the latter was leaving Kuling on August 27 that the fighting would stop as soon as the Communists stop attacking. We are playing with the idea of "calling his bluff" by asking him what he would do if Mao Tse-tung actually gave a cease-firing order for a three- or four-day period. General Marshall is leaving today for Kuling largely with this in mind, and General Chou En-lai is telegraphing to Yen-an to ascertain Mr. Mao's reaction to such a proposal. If this fails we shall, in the light of whatever progress is made in the political approach, urge President Chiang again to assist in bringing about an early end to the fighting. The Communists seem genuinely eager to stop the fighting.

There is one other somewhat encouraging item to report. I have, as described in my despatch no. 1 dated July 21, 1946,<sup>26</sup> been arguing with the Government leaders that the most effective, if not the only way to conquer Communism is by doing more for the welfare of the people than the Communists, and by drastic internal reforms. Dr. T. V. Soong showed me yesterday documents in preparation for agrarian reforms which are as yet being kept strictly secret. The plan in brief is to purchase land from the large owners with payment in grain rather than money. He also told of new measures in process against official graft, etc. Once peace is restored and the single-party system ended, we can hope for more of such reforms and constructive developments.

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<sup>26</sup> Vol. IX, p. 1388.

In the meantime we must attempt to cross the immediate barrier in the manner described above.

Respectfully yours,

J. LEIGHTON STUART

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893.00/8-3146 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, August 31, 1946—11 a. m.

[Received September 2—1:27 a. m.]

1409. To those seeking desperately for some tangible sign of hope in a situation characterized by spreading hostilities, the leaks during the past week of the formation of the Committee of Five to discuss the reorganization of the State Council have given some encouragement.

The reverse of this picture, apart from the fighting itself, was two announcements on August 28 which perhaps more accurately reflected the attitudes of the principal disputants. A Communist spokesman in Nanking stated that if the Government should proceed with the reorganization of the Government prior to November 12 without formation of coalition, the Communists would then have no alternative except to convene leaders of Communist controlled areas at Yen-an to consider the "next step". On the same day General Chou En-lai, in answer to questions at a press conference, outlined the Communist position as it now stands. Full text of this statement is being submitted by airmail despatch.<sup>27</sup>

Coincidentally the Minister of Information,<sup>28</sup> in a statement generally considered as emanating from the Generalissimo himself, announced the determination of the Government to reorganize prior to November 12 with participation of those who would accept Government terms; laid full responsibility for cessation of hostilities upon the Communists who could end fighting and prove their sincerity by revoking their mobilization order and evacuating certain areas which constitute a menace to security and threaten communications. Statement also announced Government's determination to conclude political tutelage period, intention not to reconvene Peoples' Consultative Council and indicated that PCC draft constitution must now be revised.

STUART

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<sup>27</sup> No. 87, September 3, not printed.

<sup>28</sup> Peng Hsueh-pei.

Marshall Mission Files, Lot 54-D270 : Telegram

*Mr. Walter S. Robertson to General Marshall*

[PEIPING,] 1 September 1946.

7790. Team 25 returned to Peiping 1530 hours 1 September after completing investigation of scheduled witnesses at Anping and Tientsin. At Anping five witnesses were interviewed, further confirming previous United States version of incident. Driver of cars [*carts?*], confiscated by CCP troops to effect road block, stated positively he observed CCP troops along road prior to arrival of Marine convoy on 29 July. Upon completion of investigation at Anping team proceeded to Tientsin on afternoon 31 August. At Tientsin team interviewed General Rockey. In opinion of United States member he made a poor witness, giving answers susceptible of distortion by Communist. Will advise more fully receipt of Colonel Martin's report now in process of preparation.

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711.93/9-146 : Telegram

*The Chargé in the Soviet Union (Durbrow) to the Secretary of State*

Moscow, September 1, 1946—7 p. m.

[Received September 1—1:11 p. m.]

3367. We have seen a copy of British FonOff instruction of August 29 to Clark-Kerr<sup>29</sup> to take up with Department question of our China policy and possible Soviet and Chinese Communist reactions thereto. Since he most likely did not communicate views which FonOff provided for his background information, we paraphrase them below.

Clark-Kerr was to avoid giving impression that UK desired, either through offer of mediation or otherwise, to assume share of responsibility for current USA policy in China, which may well culminate in failure. UK seeks clearer understanding of future American intentions before formulating its own China policy.

It might be added by way of comment that we know from British Embassy here that British FonOff is in midst of examination of China situation in preparation for formulation of policy designed to meet new conditions in China. FonOff has asked Moscow Embassy to offer views and suggestions, which it is doing.

To prevent source drying up, this information should be handled with utmost discretion.

DURBROW

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<sup>29</sup> Lord Inverchapel (formerly Sir Archibald J. K. Clark Kerr), British Ambassador in the United States.



711.93/9-346

*Memorandum of Conversation, by the Director of the Office of  
Far Eastern Affairs (Vincent)*

[WASHINGTON,] September 3, 1946.

Participants: Mr. H. A. Graves, Counselor, British Embassy, and  
Mr. Vincent

Mr. Graves called by appointment at his request. He said that he would like to have a discussion in regard to China and then read from notes which he said he had prepared on the basis of a telegram from the Foreign Office.

Among the questions he raised were (1) whether we plan to withdraw our Marines from north China, (2) whether in the light of recent developments we contemplate a change in our China policy, (3) what consideration were we giving to the press report that the Chinese Communists plan to bring the situation in China up for international discussion either by the Big Three or within the Security Council, and other questions of a related nature. He concluded by stating that the British Foreign Office was giving study now to its policy toward China and that he would find anything I could tell him helpful.

I told Mr. Graves that we had no present intention of removing our Marines, although there was a general desire to remove them just as soon as the situation would permit. He seemed to be pleased with this answer.

I told him that General Marshall in his telegrams had paid no attention to the Communists' statement regarding discussion of the China situation on an "international level" and that we in the Department felt that there was very little likelihood that the Chinese Communists had serious intentions of taking such a step. He said that the Russians might take the lead in bringing up the subject. I told him that if the Russians wanted a "3-Foreign Minister" discussion of the situation in China along the lines of the Moscow Declaration <sup>29a</sup> I felt that Mr. Byrnes would be quite willing to participate in these discussions. Insofar as discussions of China's internal situation in the Security Council were concerned, I felt quite certain that the Chinese Government would oppose placing such an action on the agenda of the Council and that it would probably secure considerable support.

I told Mr. Graves that there was no present intention of changing our policy toward China, that the President's statement of policy on December 15 last still held, and that General Marshall was continuing unrelentingly and with energy his efforts to bring about a satisfactory

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<sup>29a</sup> *Foreign Relations*, 1945, vol. II, pp. 815 and 821.

political solution of China's internal problem. I then went on to give him a somewhat extended and frank analysis of our attitude and thinking here. I told him I spoke for myself but that I was fairly certain that my superiors in the Department were in general agreement with my views. Briefly, I said that we had no intention of following either of two suggested courses; we had no intention of giving "all-out support" to the National Government in prosecuting a civil war and we had no intention of "washing our hands" of the China problem, explaining that our interest in the maintenance of peace and security in the Far East far transcended any feeling of disappointment we might have over a temporary setback in bringing peace and unity to China. In short, I said that we had every intention of staying with the problem in China and at the same time of staying out of China's civil war.

Mr. Graves thanked me for the explanation I had given him. I asked him to let me know something of the British Foreign Office's thinking in regard to China as soon as he obtained the information. He said he would do so.

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893.00/9-446 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, September 4, 1946—9 p. m.

[Received September 5—9 : 10 p. m.]

1421. Committee of Five unable to meet today because Chou En-lai seems not to be ready. He returned yesterday afternoon from Shanghai and sent his representative to see me (Wang Ping-nan) who reiterated the public statements made by them both to the effect that there should first be an assurance by the Generalissimo of a cease-firing order and a cancellation of his previous "five point conditions". The implication is that Chou is now making his two points as a prerequisite to the meeting but this has not been explicitly stated to me. Mr. Wang also said that Chou wished to see General Marshall before coming to me and I understand he is there now (6:30 p. m.). Chou assured me last week that although he had misgivings on these points, yet this would not prevent him from attending the meeting with his associate (Tung Pi-wu) and secretary (Wang). He may have received instructions from Yen-an or there may have been a conference in Shanghai or here. Or it may be a tactical move. In any case my course seems clearly to await his visit and to avoid any public comment to [*sic*] other than that we are waiting for Mr. Chou.

STUART

Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and General Chou En-lai at No. 5 Ning Hai Road, Nanking, September 4, 1946, 4:30 p. m.*

Also present: Col. Caughey  
Capt. Soong  
Mr. Chang

GENERAL CHOU: The other day when you left for Kuling I had intended to see you but the time was too late so I called on Dr. Stuart and he told me that your trip to Kuling was intended to discuss with the Generalissimo a possible arrangement for effecting the cease fire. Later on I saw the statement made by Dr. Peng Hsueh Pei and Wu Ting Chang.<sup>30</sup> They take an attitude of refusal to discuss the cease fire question. They assert that the hostilities are entirely due to the attack of the Communists and the Government launched no offensive since January 10. Such an attitude as expressed by the Government officials seems to me highly unsatisfactory. I exchanged views on this attitude with Doctor Stuart.

At that time we were rather inclined to wait for the outcome of your discussion with the Generalissimo at Kuling regarding the truce. Subsequently, Dr. Stuart left for Shanghai and I read another statement made by Dr. Wu Teh Chen in Kuling and he too expressed the same opinion as the other two Government officials to the effect that the question of truce does not exist at all because all the fighting was initiated by the Communists since 10 January. As regards the 5-point demand, he stated that it could not be abandoned. It all amounts to this: that prior to the meeting of the Dr. Stuart's small group the Government has already expressed a firm refusal to those two questions. Such an attitude seems to me unreasonable.

Later on, I further learned that the transactions about the surplus property were to be signed in Shanghai immediately and so I thought that I should make a trip there to save the situation. I left on Sunday morning for Shanghai. I saw General Gillem<sup>31</sup> at the airfield and there I learned that Mr. Peterson<sup>32</sup> and his party just enplaned to go back to the United States. It was clear that everything was already fixed and nothing could be done. So, I felt there was nothing else for me to do than express our attitude and our views in this matter to the press. In general, we highly complain about the conclusion of the surplus property agreement<sup>33</sup> at this critical stage of

<sup>30</sup> Secretary General of the Chinese National Government.

<sup>31</sup> Lt. Gen. Alvan C. Gillem, Jr., Commanding General, China Service Command.

<sup>32</sup> Howard C. Petersen, Assistant Secretary of War.

<sup>33</sup> Signed at Shanghai, August 30, 1946; for text, see Department of State Publication No. 2655, *Report to Congress on Foreign Surplus Disposal*, October 1946, p. 40. For correspondence on this subject, see *post*, pp. 1033 ff.



the negotiations for peace. This deal, which amounts to US\$825 million, greatly strengthened the Government and leave the Communist Party in a very embarrassed position. Our protests were completely ignored.

Now, on coming back to Nanking, I intended to see you in order to get myself informed as regards the Generalissimo's attitude towards the arrangement for a cease-fire so I did not call on Dr. Stuart. Rather I wished first to see you.

Yesterday the Government representatives, Wu Teh Chen and Chang Li Sheng, came to see me and they assumed a rather evasive attitude towards the question of truce. They say that the question of truce does not exist because all fighting was initiated by the Communists. I retorted that since there is a state of war and that we are all seeking peace, let us better not discuss who is right or wrong in the past, but rather face the matter squarely and find a practical means to stop it. They did not criticize my views but refused to discuss the affairs of truce.

As regards the Generalissimo's 5 conditions, they expressed the opinion that the question is not whether the 5 conditions should be dropped or not. The question is the settlement of conditions in various areas. Today I read in the newspapers that they made further statements to the effect that all the outstanding issues regarding the truce and settlements in various areas should be discussed by the forthcoming State Council. Such an attitude looks rather strange to me because yesterday I stated quite explicitly to them that unless the fighting is stopped there is no possibility for the Communist Party to submit the list of the State Councilors. They nodded, implying that they understood my position but still they issued such a statement today. Previously it seemed to me that the Government was exploiting the discussions on government reorganization to strengthen its military position. I told the representatives that the question of government reorganization could be easily settled, but Chang Li-sheng said nevertheless we might have very lengthy discussions. So, it appears even more clear to me that the Government would, under cover of this discussion, try to intensify the warfare in order that they may mislead the people at home and abroad and further secure the Americans' assistance.

Now what I want to find out first of all is what is the Generalissimo's attitude—whether or not he is inclined toward effecting a truce. I hope that you can tell me about his true intent on this matter.

GENERAL MARSHALL: In the first place, I left for Kuling in order to be there, in touch with the Generalissimo, in view of the possibility that you would hear from Yen-an on Saturday morning as to whether

or not there was any possibility that Chairman Mao Tze Tung would follow the course of proclaiming a 4-day cessation of hostilities on the part of the Communists. That was the reason for my departure Friday night.

GENERAL CHOU: Now regarding my contact with Yen-an, I had a talk with Dr. Stuart on Friday night. I originally meant to explain directly to you but on account of your early departure I talked to Dr. Stuart regarding the text of the message to Yen-an. In the message I made four possibilities regarding the issuance of a cease fire order. I supposed Doctor Stuart would relay to you the essential points of that text so that you may have it for reference in Kuling. In that message I cited four possible cases.

First, issue a cease fire order by us and followed by a similar one by the Generalissimo. I also took into consideration that the Generalissimo might feel himself put in an embarrassed position because his order follows the Communists' order. So, maybe the Generalissimo would prefer a second case, in which both the Communists and the Government issued order at the same time. This would be o. k. with the Communist Party. The third case is that the Government might wish to take the initiative in issuing that order, as in the case of the armistice. This is acceptable to the Communists. The fourth case is not acceptable. That is, suppose that the Communists issued a cease fire order and the Government would say it is entirely right for the Communist Party to issue the order but the Government would not because all hostilities had been begun by the Communists. Such a procedure cannot be followed by the Communist Party for two reasons.

The first reason is it would appear as if the Communist Party alone was responsible for the warfare. Secondly, suppose the Government would continue its fighting, then the Communist troops would be forced to take counter-actions. Then the Government would assert that the Communists broke their own pledge. I mentioned this to Doctor Stuart and Doctor Stuart expressed his agreement that the fourth case is not acceptable obviously. I asked Dr. Stuart to transmit my statement to you and so I did not repeat it.

GENERAL MARSHALL: I never got that statement.

GENERAL CHOU: That is why I repeat it here.

GENERAL MARSHALL: Doctor Stuart telephoned to find out if I was going to mention this possible solution to the Generalissimo and I said I certainly was not. I was waiting to hear what you had heard from Yen-an.

My understanding of this whole affair is quite different from your statement to Dr. Stuart. What I originally understood, without any reference to the Generalissimo, was that Chairman Mao Tze Tung

should come out with an order for cessation of aggressive action of Communists for a period of say four days. It was not a case of going back to the original idea of joint action or some other arrangement; the Generalissimo acting first for example.

Returning to Kuling. The Generalissimo inquired if I had anything to discuss with him on Friday night. I told him, "No, nothing new. Possibly I would have Saturday." I waited Saturday and into Sunday and then heard that you and Doctor Stuart were in Shanghai. I still did not go to the Generalissimo because I had nothing new to present; nothing that I had not already said most emphatically. On Monday some conversations occurred which were brought to the Generalissimo's attention and he expressed a desire to see me that day. I discussed with him at length the question of organization of the State Council and its possible effect. Then he went into a further discussion of matters pertaining to the draft of the Constitution and the National Assembly. Later that night he came to my quarters (Monday night) and talked to me until about 11 o'clock, again discussing the questions I have just referred to and also mentioning in a very general way, the matter of the cessation of hostilities.

I will return to this discussion of political matters in a moment but first I wish to say this: You made very important reference to the Government statements; that is, by the Minister of Information. I have not read those statements. I told you the other day that you could not properly base sound logic on propaganda. It had to be based on facts. The discussion that you have gone into here is largely based on propaganda with which I am only interested to the extent that it seems unavoidable and presents grave difficulties in any negotiation. For example, take the question of the 5 conditions. Without having checked the matter, I believe the record will show that there was no reference to the continuation of these 5 conditions until after I had explained what had occurred between the Generalissimo and myself to you and after you made public reference to the fact itself. Then this Government propaganda immediately started up in rebuttal. What actually happened was the Generalissimo made a general statement which, if taken without detailed examination, would seem to register complete agreement with the ideas you had proposed towards the cessation of hostilities and towards the functioning of the State Council. But actually after I had questioned the Generalissimo minutely, I brought out the fact that he still had these conditions in his mind relating to Kiangsu, Tsingtao Railroad, Chengteh, etc.

I mentioned these facts to you because I was fearful that you were laboring under a misunderstanding when you talked to Doctor Stuart



of the possibility of Chairman Mao Tse Tung coming out on his own initiative, without reference to the Generalissimo, in an announcement that he had directed all Communist forces to cease fighting for a period of four days. That consideration has never appeared in the propaganda merely because you did not mention it. But the five conditions have appeared in the propaganda because you did mention that.

Now to return to the State Council. I would like you to keep clearly in mind that Doctor Stuart and I turned to the State Council proposition because we had failed to overcome the impasse regarding the cessation of hostilities. We thought that it might be possible to make this move on the purely political basis, to reach an agreement for the organization of the State Council. In doing so, we hoped to develop a different state of mind which might provide the opportunity to bring about an agreement for the cessation of hostilities. We wished, and so far as we were concerned we determined, that this small group, which was our proposal, should confine itself to discussions concerning the State Council. I mean by that that we did not want any extraneous matters brought in to complicate the discussion. We had determined that Doctor Stuart would not continue as chairman if such discussions were insisted upon because we thought the issue would become involved automatically in so many other matters that nothing would be accomplished except more of hard feeling.

I would also like you to have in mind that it was only on the insistence of Doctor Stuart and myself, principally my insistence, to the Generalissimo that we got his agreement to this procedure. Now, to my great discouragement, I find that before the committee has even met, conditions other than those pertaining to the organization of the State Council are being put forward and discussions started regarding matters which are not stipulated as those to be discussed by this small group. In other words, we have apparently failed before we have started. I have been doing my best to break through the present impasse regarding the fighting. Doctor Stuart's group was the one single procedure we could find towards that end. I have also tried to be very careful to have no misunderstandings.

Now I will turn to another matter, the surplus property. I told you in May, I think, that when certain discussions came up in Congress they had been pending for many months and were brought up for settlement because of the approaching adjournment of Congress until the following January. Incidentally, Congress is now adjourned. The surplus property transaction has been under discussion since last January when you were in Chungking. It was pretty well settled before I left for the United States in early March. I ironed

out most of the difficulties while I was in Washington in March and early April. The Chinese Government could have concluded an agreement very easily last February but the delays involved were an effort to improve the terms—delays which I thought were very costly to the recovery of China.

Meanwhile three other complications arose. One related to the heavy cuts made in military and naval appropriations in Congress which caused the Army and Navy Departments to undertake, at considerable current expense, the return to the United States of the "cream" of this property to offset the heavy reductions in appropriations which had just been made. These arbitrary reductions in the stockpiles of property on the various islands upset all the inventories and brought the whole transaction to a standstill. Another reason was a change of policy of the United States Government with regard to the property in the Philippines because of the heavy pressure brought to bear by the Filipinos, particularly during the gathering of officials at the celebration of the independence of the Philippines. For that reason the head of the surplus property disposal, Mr. McCabe, was accompanied out here by a representative of the War Department, Mr. Peterson, and a representative of the Navy Department, Admiral Cotter, who had the power to adjust here on the ground any War and Navy Departments interference with these items of property so that the negotiation could be completed.

There was another, the third, very compelling factor involved and that was that we could not continue the expense of safeguarding this property. Also the property, itself, would be under rapid deterioration in the tropics from the heat and rainy weather and, to the north in Okinawa, by the winter season and the consequent storms, everything being in open storage. It was a question of either completing this negotiation with China or immediately disposing of the "cream" of the property to other governments in the Far East and dumping the remainder into the ocean. In either event the people of China would have got none of this material, which would be of vast importance to the resuscitation of their economic status. This was not an issue brought up in three weeks. It was the completion of a negotiation covering more than six months. If your, and the Communist Party, recommendations and propaganda had been accepted, the people of China would have been denied the whole for the future. That would be a terrific price to pay by some 400,000,000 people because of two warring elements.

The aspects of the transaction have been translated by propaganda, regarding which I have already expressed myself, into every evil purpose conceivable. As much harm as could be done has been done

and I suppose we will have other slants of propaganda of the same nature later on. I accept that as inevitable but I am getting very tired of it. What I am worried about is when a proposal such as the establishment of the State Council is being almost destroyed by reasons of propaganda.

GENERAL CHOU: I paid so much attention to Doctor Peng's statement because it was issued on the instruction of the Generalissimo.

GENERAL MARSHALL: Now, to return to the National delegates for Doctor Stuart's group which is to discuss the organization of the State Council. When the proposal was made to the Generalissimo by me for this group, he remarked that it would not be an effective procedure because the Communists would immediately introduce other matters and so complicate the discussion that no progress would be made. My answer was that Dr. Stuart was only going to function as chairman during discussions of the State Council issue. Therefore, if these other issues are to be brought up at this time with that group, it seemed to me the way out would be to terminate the discussion under Doctor Stuart's chairmanship. I have been exerting every effort and every argument I could find to break down the present impasse and secure a cessation of hostilities. So far as I know, I have left no stone unturned. I have ignored the attacks on me personally—those that are of public knowledge and those of individuals within the Government who are opposed to almost everything I have been trying to do. It would almost seem now that propaganda wins the day, which is chaos.

I had come away from Kuling Tuesday somewhat encouraged because I had gotten the Generalissimo into somewhat detailed discussions of the question of preparation of the draft constitution under the arrangements of the PCC and an approach to the National Assembly on a general, rather than a unilateral, basis. Throughout this, I have maintained that it would be quite impossible to have negotiations conducted by the State Council while fighting is going on. It has been my hope that once we had gotten an agreement as to the basis for the State Council; had gotten that confirmed by the Steering Committee; had gotten the candidates designated, and had possibly even sworn them in, by that time we would have found a solution to the problem of terminating the fighting.

GENERAL CHOU: Regarding the statement you have just made, I feel compelled to make some explanations to clarify the points. It is a matter of fact that you and Doctor Stuart have transmitted to me the statements and conversations of the Generalissimo. On the other hand, as one of the parties involved in the negotiations, I also feel the responsibility to bring forward to you our viewpoints regarding the various matters.



Take the example of the informal group which was a proposal of Dr. Stuart and yourself. I wish to reiterate the basis upon which we expressed our acceptance to that proposal. I told Dr. Stuart several times that we accepted the proposal on the guarantee that cease fire arrangements would be made and that the Government would drop the 5 demands after the conclusion of the formula for the government reorganization in Dr. Stuart's group. I repeated this point almost every time I talked with Dr. Stuart. I also explained to you that it is inconceivable as far as I am concerned that after the government reorganization we could designate the candidates while the fighting is still going on. The reason why we had conceded to discuss the reorganization of the State Council at this moment, while the discussion of the cease fire is deferred, is purely because the Government officials, including the Generalissimo himself, asserted repeatedly that without a political settlement there is no guarantee from the Government point of view once the military hostilities are stopped. It is in view of the foregoing that we accepted a discussion of the reorganization of the government provided that there will be a guarantee for the cease fire. Based on the guarantee, we then may turn over to discuss the details for the cease fire arrangement. I also conveyed that to Dr. Stuart at least two or three times. According to the statement you have just made, it seems that we would merely discuss the reorganization of the State Council; that we may even designate the candidates; and that the State Council may even be convened before the fighting can be stopped. Such a procedure is inconceivable to me because I could never accept the submission of the candidate list while the fighting is going on. I also explained this point to Colonel Caughey when he came over to me to ask under what conditions we would be ready to nominate the candidates. At that time I stated that under two conditions: 1. When there is a cessation of hostilities and 2. When the reorganization of the government will be enacted in accordance with the PCC resolutions.

As to the matter whether the Government has made propaganda in connection with the truce or not, I wish to point out that that was not due to our efforts. The Government made much propaganda on this point following the same line as you have mentioned above. I hope you fully understand our views on this whole matter. If that opinion of ours is ignored in dealing with this matter and if I participate in an arrangement which is not in line with my original point of view, it would appear to Yenan, as well as the other parties, and the Chinese people, that I am misleading them.

That cease fire arrangements be left for discussion to the reorganized State Council is entirely a scheme suggested by the Generalissimo.

**GENERAL MARSHALL:** Where was that suggestion made?

GENERAL CHOU: It was made in the newspaper. He explained the Government's point of view in this matter. That is entirely the scheme of the Generalissimo. According to my view, the cease fire arrangements should be effected in accordance with the January 10th agreement and the negotiations in June. If this matter is left to the State Council for discussion, then the Kuomintang, which occupies a large number of the total seats, and together with the Young China Party, which is actually a part of the Kuomintang, will secure a majority in voting and any agreement will be in favor of the Kuomintang. If we reject their proposal we would be turned down. On the other hand, we cannot agree to any proposal that is merely in favor of the Kuomintang.

You are certainly not a member of the State Council. The whole affair is separated from the Committee of Three. According to my view the cease fire business should be taken up by the Committee of Three alone. If there is no guarantee for a truce after the discussion on the State Council business is completed then it doesn't seem to me profitable to have that discussion.

Regarding the propaganda, I wish to make it clear that it was not initiated by my side. Regarding the 5 point demand, it was first given to the correspondents by Mr. Fugh<sup>34</sup> when Dr. Stuart came back from Kuling. It was immediately published by them. He told them everything we had talked about. It was published by the Kuomintang papers. Later, on August 14th, the Generalissimo in his public statement reiterated the terms for a cessation of hostilities, in which he demanded Communist withdrawal from all places that menaced peace and disrupts communication. The Kuomintang Party press immediately interpreted that to mean he was demanding the Communists to evacuate from those 5 places. The *Central Daily News* still reiterated those 5 conditions. Such propaganda was carried on by the Government papers continually and I am certainly the last one who mentioned this point. That was around the 25th of last month.

Regarding the cease fire arrangement, the Government made certain propaganda. The Kuomintang papers asserted throughout that it was the Communist Party which initiated the truce. Therefore they saw no necessity on their part to undertake any action to stop the fighting. That was throughout their argument. Doctor Peng has been instructed to make a statement to this effect and Mister Wu Teh Chen at Kuling again reiterated this point. Today the paper again expressed the view that the whole responsibility should rest with the Communists. Wu Teh Chen declared in today's paper that the cease

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<sup>34</sup> Philip Fugh, assistant to Ambassador Stuart.

fire would only be arranged by the State Council after its reorganization. That is the Government's propaganda with regard to the truce. From the statement you just made it appears to me that the thought of the Generalissimo is following the same line. In view of these facts, how can I strictly separate the propaganda with the facts in considering the various points.

GENERAL MARSHALL: May I interrupt here a minute. I was aware of the press statements and the propaganda efforts following Philip Fugh's report to the press. I was aware that this resulted from Doctor Stuart's conversation with General Chou when Dr. Stuart returned from Kuling. What I was referring to was the statement that came out following my conversation with General Chou the other day which appeared in relation to the State Council issue.

There was also a public statement from the Communist headquarters regarding the State Council which did not help matters for me and that was when Colonel Caughey went over confidentially to ask a question and the next morning that appeared in the paper and also Colonel Caughey's name. (To Colonel Caughey: Is that correct?).

COLONEL CAUGHEY: Yes sir.

GENERAL MARSHALL: However, all of that is water over the dam. It goes to show the confusion into which this general propaganda effort is drawing everything. If both sides would just stop the fighting and would indulge only in propaganda I would be more cheerful about it.

Now, as I understand the matter, there is no prospect of a meeting of Doctor Stuart's group under the present conditions.

GENERAL CHOU: I wish to continue my statement. Regarding the understanding about the proposal of a truce, your statement was correct in this sense that we have a different basis of understanding. My idea of issuing an order by Chairman Mao Tse Tung was entirely based on what Dr. Stuart conveyed to me. Since Dr. Stuart also felt that the Generalissimo would issue a statement that in case the Communists would stop fighting he would stop fighting too, therefore I thought we may make use of that statement. I therefore suggested this procedure.

I then began to wonder whether it was advisable for the Communist Party to first issue a cease fire order which after three or four days would be followed by an order by the Generalissimo. I was not very sure about the Generalissimo's statement, and I refused to make a decision at that time. Instead I came to make further inquiry on you. After hearing your statement in connection with that part, I came to the feeling that my suggestion was rather superfluous. You then said you do not share my view on this point. Perhaps we may still make a try along this line. During supper I said I might get a



reply from Yen-an on Saturday and I would dispatch a message that evening and I wish to convey to you the essential points of that message. Seeing you had departed, I mentioned the message to Doctor Stuart with the view that he would relay it to you. At that time there was some difference of understanding between you and me as well as between Doctor Stuart and myself and this difference lies in the fact that while I am thinking all the time the order will be issued by both sides with a space of time between the issuance of the two orders, it never occurred to me that such an order should be issued by the Communists only because then it will be immediately seized by the Kuomintang propaganda. They have already made propaganda that the Communist Party alone should stop the fighting because the fighting was initiated by them. Therefore, all that is necessary is for the Communist Party to stop the fighting, while they do not feel committed to such an arrangement.

Coming to the surplus property, I do not want to go into another discussion on this point but I have to reaffirm my stand that we do not agree with such a deal. I also am in divergence with you regarding the view that it is profitable to the Chinese people at this moment. All I can see is that such items as trucks or communication equipment and the army rations and clothing can only be for the civil war purpose. As to the various other items, they will be turned over to the market and the income will also be expended for war. But still the Chinese people will pay the responsibility of reimbursement. So, of course, it is not in the interests of the Chinese people.

It is true that around April you did tell me about such a transaction. At that time we showed forbearing toward such an arrangement because we had in view that the reorganization of the Government will take place soon. Then all these materials would be turned for the purpose of reconstruction and not for war. What we now have is just the reverse of that state of affairs, so this is not a matter of propaganda but a matter of fact as we see it.

Now there is also another point which you related the other day and regarding which I did not make a reply. That is the point regarding the propaganda and its connection with Soviet Russia. Previously I have purposely avoided furnishing a reply regarding that point because I was fearful that it would cause embarrassment to us both and that any dispute over the point would be without result. But still I wish to say that I do not quite agree with your viewpoint comparing Soviet propaganda with the Chinese Communists' propaganda. As a matter of fact, for quite a number of times, we (meaning the Chinese Communists) have taken the same line as the American public opinion or the line of the American Government. Particu-

larly during the first three months after your arrival in nearly 80% to 90% of the propositions we shared your view and at the time when the Kuomintang launched an anti-Soviet campaign we entirely refrained ourselves from expressing our view. We merely followed your suggestion to work on the army reorganization plan and to conclude it because we thought that this procedure is to the best interests of the Chinese people. We want to do everything in the best interests of the Chinese people. Later on there was some criticism regarding withdrawal of the U. S. armed forces in China but that criticism has also been voiced in the United States.

Five days ago I learned that a straw vote had been held by a broadcasting station and the result of that straw vote was 8 vs 3 in favor of withdrawing American troops. I also recall that in March and April you mentioned the prospect of the United States armed forces now on duty being withdrawn. As regards the Soviet troops in China, I have also voiced at that time that we favor a speedy withdrawal of the Soviet troops. This shows we have the same attitude regardless of whether it is Soviet or American troops.

Now, coming to Dr. Stuart's group regarding the discussion on government reorganization. I wish to repeat that each time you go up to Kuling to make laborious efforts for finding a way of settlement, I ask Dr. Stuart repeatedly what will be the Government's stand toward the cease fire. Each time Dr. Stuart told me that there is still no such assurance but efforts will be made toward this end with a view to trying to secure such a guarantee. Yesterday I sent Mr. Wang Pin-nan again to inquire on this point and Doctor Stuart said this time that definite assurance has been obtained. He said he felt that some result could be obtained. However, on coming to see you today my impression is entirely different.

There is one thing that puzzles me, that is the role of Mr. Philip Fugh. It seems to me that Mr. Fugh is not always consistent in talking to me and to other parties. For example, he related sometimes that such and such a person in the Kuomintang has a Fascist tendency or that it is quite ridiculous for Dr. T. V. Soong to participate in the negotiations, or he said that he has the impression that the Generalissimo would not stop the fighting. During my discussions with Dr. Stuart, the conversation was largely led by Mr. Fugh because most of the time Dr. Stuart expressed very little. Most of the talking was done by Mr. Fugh. Each time he would then reveal the whole conversation to the newspapermen. For my part and my staff members, I strictly refrained myself and them from revealing the conversation to the newspapermen. Regarding the talk that Colonel Caughey has had with me, which later got in the papers, if my people

said anything it merely concerned what was going on. This perhaps was not wise but anyway nobody intended to make things worse.

But Mr. Fugh sometimes went further. For example, I read in yesterday's paper that, according to Mr. Fugh, Dr. Stuart's group will also discuss the question of agrarian reforms. This statement was published in all Chinese newspapers. That is his statement. According to my understanding, it was only once that you brought up this question in our conversation here and nobody ever made any decision on this point. So I wonder how Mr. Fugh alone can make such a decision.

And in that statement he further said that the reason why this question should be discussed is because when the Kuomintang representatives discussed Communist areas they would immediately be confronted with this question. It seems to me that such a statement is tantamount to taking sides with the Kuomintang's policy of force. Also, while in Shanghai, Mr. Fugh told some correspondents that there is absolutely no necessity for my going to Shanghai. I was puzzled as to the intent of such a remark. I am interested in these things because Mr. Fugh participates in all of the talks after which he tells everything to the newspapermen. For a series of days he criticized the Communist Party and this is strange from the point of view that he is in the position of mediator and that would only weaken that position. Yesterday I purposely did not call on Dr. Stuart because I wished to avoid Mr. Fugh.

However, I would like very much to talk with Dr. Stuart directly. I have this suggestion to make; in order to find out clearly how the present deadlock was brought about I would like to have another conference with you, Dr. Stuart and myself present. We can then find out the cause of the block in convening the informal group meeting. By that I mean that I hope that Mr. Fugh will not participate but you will participate so that we may clarify matters.

GENERAL MARSHALL. I will endeavor to arrange to see Dr. Stuart tomorrow morning and I will take up this matter of a meeting with him. If you do not object, I will read this statement regarding Philip Fugh to him.

GENERAL CHOU: I have no objection just so it is read only to Dr. Stuart.

GENERAL MARSHALL: I will do that tomorrow morning and let you know the result. How about a meeting tomorrow afternoon at 4:30? We had better meet here and not at the Embassy.

GENERAL CHOU: I agree.



Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and General Yu Ta-wei at No. 5 Ning Hai Road, Nanking, September 5, 1946, 11 a. m.*

Also present: Col. Caughey

General Yu Ta Wei opened the meeting by asking General Marshall to let him have the substance of his discussions with the Generalissimo at Kuling last week.

General Marshall stated the Generalissimo believed that the Communists would immediately demand a solution of the reorganization of the Executive Yuan while attempting to resolve the State Council matter within Doctor Stuart's small group; he further felt that the Communists would not participate in the National Assembly until this reorganization had been completed. The Generalissimo said his desire in this matter was to have the State Council meet 10 October (anniversary of Chinese independence); and to arrange matters so that the same time a cessation of hostilities took place the Communists would submit the names of their representatives for the National Assembly.

General Marshall stated that a delay in the cessation of hostilities until October 12th meant a general war beyond immediate control. General Marshall differed with the Generalissimo in that he did not think the Communists attached first importance to the reorganization of the Executive Yuan but that he (General Marshall) did think, however, that the Communists were determined not to enter the National Assembly on 12 November unless the draft Constitution as set up in the PCC was to be carried out.

General Marshall continued by stating that he had now seen General Chou En-lai and had found that in addition to the apparent misunderstanding regarding the handling of the question of the Executive Yuan, the situation was extremely complicated in view of the statements made in Kuling, Nanking and Shanghai by Government spokesmen regarding the Generalissimo's 5 conditions.

To sum up, General Marshall pointed out that the Generalissimo did not wish the military and political situations to be discussed simultaneously nor to be correlated; and that he (General Marshall) had convinced General Chou that this was a logical course; and that now General Chou insisted on the two matters being discussed simultaneously, a position from which he would not recede. General Marshall continued by stating that he would know more by this evening after

he had an opportunity to confer with General Chou at 4:30 this afternoon.

General Yu said that as far as he knew General Marshall and the Generalissimo had not discussed, in his (General Yu's) presence, the idea that military consideration would be connected with political considerations arrived at by Doctor Stuart's group. General Marshall agreed with General Yu Ta Wei but pointed out that there was no question in his mind the Generalissimo knew this was General Chou En Lai's attitude since on the 17th of August, while in Kuling, he had asked Colonel Caughey to take up this question with General Chou En Lai and had later read Colonel Caughey's reply to the Generalissimo. The reply clearly indicated that General Chou would consider participation in the State Council only after agreements had been reached on both political and military considerations which were outstanding.

General Marshall told General Yu Ta Wei that in yesterday's meeting with General Chou, General Chou had at last put his finger on the crux of the surplus property disposal agreement. General Marshall told how General Chou had said that the National Government was using the gold credit it obtained through the surplus property agreement, plus their gold reserves in the United States, to prosecute the war. General Marshall added that the military leaders and advisors were, in effect, using him (General Marshall) through this means, to create a chaotic condition in China. General Marshall stated that he could not, without completely disrupting the Kuomintang Party, make this phase of the matter known to the world since he in effect would be destroying the good faith which the United States was placing in the National Government through him.

General Yu Ta Wei brought up the matter of the refusal of the State Department to grant license for export of 7.92 ammunition recently requisitioned by the Chinese. General Yu stated that he felt this was a low-level decision but that since the refusal also indicated that ammunition could not be exported except for an integrated army, it in effect was a declaration of high policy not intended by the United States. General Marshall asked General Yu Ta Wei to give him additional information on this matter and he said he would look into the matter further.<sup>35</sup>

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<sup>35</sup> For correspondence on this subject, see pp. 724 ff.

Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall, Dr. Stuart, and General Chou En-lai at No. 5 Ning Hai Road, Nanking, September 5, 1946, 4:40 p. m.*

Also present: Colonel Caughey  
Captain Soong  
Mister Chang

GENERAL MARSHALL: I saw Doctor Stuart this morning and told him of our general conversation yesterday and, specifically, the latter part of it. I arranged then for this meeting this afternoon at 4:30. So, Doctor Stuart is familiar in general with the points you made to me yesterday regarding your position in relation to the State Council. Now I have expressed myself to you in some detail regarding the matter and I suggest, at least for the moment, that you discuss our apparent misunderstanding, in which Doctor Stuart shares, with Doctor Stuart.

GENERAL CHOU: I think it cannot be called a misunderstanding but rather there are a few points that I would like to get clarified. In the first place, I hope that Doctor Stuart would understand my position that at the very beginning when Doctor Stuart proposed an informal discussion group, I was not feeling very secure but rather I was fearful that the Kuomintang would not issue the cease fire order as soon as the formula for government reorganization has been worked out. Instead the Government's and the Generalissimo's intention is to stall in the matter of cease fire so that the Government may occupy more places and they would bring up the 5 point demand again to the State Council for discussion. That was my understanding of the Government's purpose. Dr. Stuart suggested that we should make a trial, so that at the completion of our discussion we may secure the issuance of a cease fire order. Therefore I suggested that we make clear this point: that after the discussion of the government reorganization a cease fire order will definitely be issued and that the 5 conditions will be dropped once and for all. I repeated this point several times. Later on the Government merely agreed to the meeting of this informal group. Its reply with regard to the cease fire is rather ambiguous.

As regards the 5 conditions, it was Doctor Stuart's and Mister Fugh's hope that the Government would not raise the issue again and so we all should not touch on that point. But actually I have a sure feeling that the Generalissimo would certainly bring it up for discussion before the State Council. So at least when we were talking together with General Marshall and Doctor Stuart, I tried to get clarified the Government stand in connection with the cease fire order.



On the previous day Doctor Stuart told me General Marshall's conversation with the Generalissimo in which the Generalissimo made the remark that as soon as the Communist Party will stop fighting he will stop. Then Mr. Fugh and Dr. Stuart asked whether that statement could be exploited to some purpose.

Therefore, I made the suggestion that perhaps the Communist Party could issue a cease fire order for three or four days but still I had some doubt as regards that statement so I inquired of General Marshall. He related to me the whole story of that conversation. But still General Marshall thought it could still be tried along that line so I suggested wiring Yen-an. On Friday I called on Doctor Stuart and told him about the four possible cases which have been related yesterday and I said that the fourth case would not be acceptable to me. Dr. Stuart agreed with my point of view. I also asked Dr. Stuart to transmit the main points of my message to Yen-an to Gen. Marshall.

On Friday I read the statement of Doctor Peng Hsueh Pei and also the public statement made by Mister Wu Teh Chen in Kuling. On Saturday I read the statement of Mister Wu Ting Chang. They all declared that the war was initiated by the Communist Party so all that should be done is that the Communist Party should issue a cease fire order. So, I am led to the conviction that the Government desires the Communist Party to issue a cease fire order and it denies their part in the present civil war. They also want to exploit the issuance of a cease fire order by the Communist Party side as an explanation that the Communist Party alone is to blame for the state of war.

On the day before yesterday Wu Teh Chen and Chang Li-sheng said that the Generalissimo had given them no instruction with regard to the cease fire order and they made a statement to the press along the same line. They said the cease fire matter could be taken up by the forthcoming State Council. That means definitely that the cease fire will only be brought up for discussion after the State Council has been inaugurated. It is an uncertainty what procedure will be adopted by that time and that is the reply of the Government toward the cease fire suggestion.

Now you led me to believe that the State Council was helpless without assurance of a cease fire order. Yesterday afternoon General Chen Cheng again said the same thing in the press conference. The Government stand has been explained by four leading Government officials. This cannot be regarded merely as a matter of propaganda. From the conversation General Marshall had with me yesterday I was informed of the Generalissimo's idea with regard to the cease fire; and that is it will most probably be assured not earlier than when the

State Council has been convened. So, I came to understand that the Generalissimo would bring up the question of the five conditions again when the State Council is being convened. As a matter of fact, the last time General Marshall came back from Kuling he told me that the Government still insists on the 5 conditions. In case we refuse to turn those places over, they would take them by force. Also, the Kuomintang will hold the majority in the State Council. Including the votes of the Young China Party they would constitute  $\frac{3}{4}$  majority in the State Council so that they can pass any transaction. So, they may try to force the State Council to pass such actions that the Communist Party should give up those 5 places, otherwise they would say that the Communists are breaking faith. Nor will they let us have the veto on this matter because every time it will be decided by the Kuomintang whether a transaction will be passed by  $\frac{3}{4}$  majority or by simple majority. The outcome will be that as soon as the State Council is convened there will be a split again and fighting will be resumed. This is my definite vision about the forthcoming State Council.

At the last meeting with Dr. Stuart, I stated clearly that I am quite certain that nothing will be gained by discussing the government reorganization at this time because I feel quite sure that the Government is trying to stall the matter. But still I will try my best just to give it another chance. Now General Chen Cheng again declared the Government would attack Kalgan and the third move, as previously declared by General Cheng Kai-ming, the Government will attack Yen-an. So as the matter now stands, while we are working to discuss the government reorganization, the Government troops will continue to attack the Communist areas one after another.

In case the Government would give the guarantee that as soon as this discussion is completed a cease fire order will be issued, then I certainly will be glad to devote two or three days' time to such a discussion. I am even prepared to make concessions with the hope that the question of government reorganization can be settled in one meeting so that we will have a cease fire order issued. But if there is no such guarantee, then my concessions will lead nowhere and how can I then convince Yen-an to make a commitment with regard to the government reorganization? I know also for sure the Government side is not prepared to make concessions. They still take the stand of distributing the seats among the various parties according to the formula of 8-4-4-4. On the other hand, the war is still being continued so at the end we will not have any settlement. It became quite hopeless to ask from the Government any kind of guarantee. Now it all depends on how you as mediators will evaluate the situation.

Yesterday Dr. Stuart said that he felt certain that a cease fire order can be issued but when I talked with General Marshall, General Marshall conveyed to me quite clearly that it is very difficult to get such a guarantee. It might be hopeful when the State Council has been convened but I cannot wait until that time because I told you (meaning Dr. Stuart) before that we can nominate the candidates only when the cease fire order has been issued. So if I enter into an agreement now the Government would force us to nominate the candidates again and in case we would yield to that demand then they would again claim that the State Council first be convened before the matter of cease fire can be taken up. That means that I am forced into a commitment step by step and which is not my original purpose.

Now it appears quite plain that there is no prospect of securing a cease fire and a promise that the government would drop the 5 conditions. I get this impression not only from the newspaper reports but also from the statements the Government representatives made to me. So, under such circumstances, it appears that to enter into a discussion at this time would definitely lead nowhere because I know for certain that there is no hope for a settlement of the cease fire. I had hoped that in case you two could give me the definite assurance then I could transmit it to Yen-an to ask for instruction. Now it is plain that no such assurance can be given because the Government standpoint is crystal clear.

In my previous statement, I was thinking over the different prospects and what the final reply of the Generalissimo might be as to whether the cease fire issue should be discussed by the State Council. I came to this conclusion, in view of the statements made by Wu Teh Chen and General Chen Cheng and also from the procedure General Marshall outlined yesterday, that the Government would be unwilling to issue a cease fire. So a discussion would not lead to a positive result. From our point of view, our fear is not entirely caused by the possibility that we will be over-ruled by a Kuomintang majority in the State Council. That is the ultimate fear, but not the only cause of fear.

The problem is rather like this—from the very beginning I took a stand that as soon as a formula had been worked out the Government should issue a cease fire order and we want to have such a guarantee. In case such a guarantee is given then the informal discussion group can immediately be convened (Dr. Stuart's group). Now, the Government would not give such an assurance nor does it admit that a war is actually existing. So it seems it has become hopeless.

I am rather inclined to have the Committee of Three and Dr. Stuart's group meet at the same time so that we can have a parallel



procedure of those two committees which I think is workable. The reason why we turned to discuss the government reorganization first was merely to give the Generalissimo an assurance that he would feel secure, but on the other hand, we would also have to ask a guarantee for the eventual issuance of a cease fire order. Speaking frankly, it appears to me that even if the Generalissimo gives such a guarantee he still has quite a great latitude to manoeuver in the discussion. He can put stumbling blocks into the discussion on the State Council so that no agreement could be reached until the Government is militarily in a favorable position, such as having taken Kalgan or other places. Until the Government feels that it has secured a favorable position, it may just go ahead to stall the discussion. The Generalissimo can always bide for time. But now it seems that the Generalissimo would not even consider such a proposition and he sticks firmly to the stand that the matter would only be taken when the State Council has been formed. I cannot agree, therefore, even if it will be discussed at that time by the Committee of Three.

GENERAL MARSHALL: In other words it is an impasse.

GENERAL CHOU: In my opinion, we have to consider two things:

1. Objective circumstances, and
2. Subjective endeavors and efforts.

The actual situation indicates there is a state of war. The Government, however, refuses to admit that situation, and merely states that the Communists alone are attacking. This can easily be discounted, because as everybody knows there is a war.

Regarding the subjective endeavors, the Communist point of view is that an unconditional cease fire should be effected, or the Committee of Three should immediately discuss this question.

Regarding the State Council, our stand is that it can be discussed provided that as soon as a basis has been worked out, the cease fire order will be issued. However the Government insists that as soon as a formula is worked out the candidates should be nominated and the State Council should be called into function. On the other hand, they say there is no war and therefore only the Communist Party alone should issue a cease fire order. Now the question that I like to ask is what is the attitude of General Marshall and the American Government? I think that it is necessary for you to make a statement toward this question because we have to get your actual view clarified. What will be the attitude of the American Government?

I wish also to ask you whether, according to your opinion, a war is existing or not? For if, as a matter of fact, only the Communist Party alone is attacking while the Kuomintang does not, then the whole world should throw the blame upon the Communist Party. But

we know that this is not the case because if one party alone waged the war there would be no war. What we want now is to stop the war, but the Kuomintang refuses to admit that a war exists. Now what will the U. S. Government do in the face of such a situation? Do you think that there is a war in China now?

Now you also initiated the suggestion to establish the State Council. We are also willing to enter into that discussion providing there is a guarantee that a cease fire order will be issued. Now I want to ask whether the American side can give such a guarantee or not? If war is still continuing, I think your mission cannot be considered as finished. You should try to ask the Government side to stop this war and the Government should furnish a definite reply. Otherwise it would become plain that the Government has a definite intention to carry on this war and that war cannot be stopped. Our hope that the Government will give a guarantee for the cease fire was frustrated. So, as it is, you have no means to secure the cessation of hostilities, but it would appear to the public that you are actually in favor of the Kuomintang side.

Now, another question that we have to consider at this time is what should be done with the Executive Headquarters and the field teams. The misunderstanding is going to increase day by day and the Kuomintang is trying to sow dissension between the American and the Communist sides. As a matter of fact the American Government still continues to give assistance to the Government side. This caused much concern on the Communist side. We will have to face a difficult situation. I am very worried about it. We, here, represent the Committee of Three and we have to work out some sort of settlement. I am indeed very much worried by this state of affairs because my subordinates will ask me what they should do in the face of this situation and I am at a loss as to my reply.

GENERAL MARSHALL: I will answer two or three questions immediately. I consider a war is going on. I can offer no guarantee of the cessation of hostilities. Regarding Executive Headquarters and General Chou's statement that the Government representatives were stirring up hostilities between the Americans and the Communists, I do not know specifically as to that. It may be. I do know that General Huang created more hostility than any number of Government officials by his actions which to my mind were utterly inexcusable.

I won't go into a further discussion of the U. S. Government's assistance to the Kuomintang Party. That can be endless in disagreement, in misrepresentation other than to refer to General Chou's statement yesterday. One point he made I accept. That was, that money received from the sale of surplus property might be used to further

government war effort. That is correct, but I will add that I had already taken that up with the Generalissimo in very positive terms before General Chou had ever referred to it and stated that I would not only be opposed to such a procedure, but I would take every measure to block it.

Now, General Chou made three or four statements regarding the Government stand, or the Generalissimo's stand, which must have been taken from these public statements in the press with which I am unfamiliar, but they are not in accordance with what the Generalissimo had said to me personally. He did not say to me personally that the State Council must be actually sworn in and would then determine the basis of cessation of hostilities. He referred in a general way to the fact that many matters in dispute including even military (as I recall he used the word "even") would find a place for debate before the State Council, but he did not state that the State Council was to be sworn in before any other action would be taken. As a matter of fact, I outlined a possible procedure, and I believe later described it to General Chou, in which I stated that assuming an agreement was reached by Dr. Stuart's group and assuming that such agreement was confirmed by the Steering Committee, and assuming the individuals had been designated for membership in the State Council, then we could turn to the problem of the cessation of hostilities.

I further stated that we might even go so far as to swear in the State Council but it was not conceivable to me that any negotiation could be carried on while the fighting was still in progress. In other words, the State Council would not be convened for business until we had stopped the fighting. The Generalissimo replied that that was an interesting statement and he would give it careful consideration, but he never has stated to me what General Chou has just indicated as the stand of the Government and from which I assume he (General Chou) must be drawing conclusions, with the additional influences of the statements the press credited to the Chief of Staff and the Minister of Information and Wu Teh Chen. Therefore, that portion of General Chou's statement I do not know how to answer other than as I have just stated. I will repeat again the purpose of the effort of Dr. Stuart and myself.

An impasse had been reached and we decided that a direct and simple approach to the State Council issue offered the one hope we could see to break the stalemate and afford a better possibility of reaching an understanding for the cessation of hostilities. Now, that has been blurred by so much propaganda and so much complication that I asked General Chou what was to be done. Are we to cease negotiations and let the war go on and abandon any possibility of an agreement as a basis for the formation of a State Council?



I think that after that is translated it would be best for Dr. Stuart to say what he wishes to say in addition to what I have just stated.

DOCTOR STUART: General Marshall has already said practically everything that I want to say except about this small informal committee. We have made all our plans to meet. All sides have agreed to the meeting. It is the only solution that I see for us Americans helping any further in this situation. I have felt from the beginning that if that committee could meet and make some progress it would be much easier for us to help in finding a solution in the military problems and the cease fire. I still feel that way. I think it is the best way possible for us to help towards the thing we want very very greatly and that is the end of hostilities. It seems to us that if this committee can meet and make some progress then we will be in a position to help more than we can otherwise. Of course we cannot guarantee anything but we can promise to do everything possible to help and so I hope very much this meeting can meet as it will make a very good impression in China, in America and the world at large. People are waiting and wondering now what will happen. The meeting can go ahead with its special problem, which is the State Council. In the light of my conversations with General Marshall and the Generalissimo, I still hope that they will lead to a solution that will be satisfactory to everybody.

Now I have not paid very much attention to the newspaper propaganda but I have talked to Mr. Wu and Mr. Chang and have been favorably impressed with their attitude toward the State Council. They don't discuss the other aspects of the State Council because their present function is to discuss only one thing.

GENERAL CHOU: I cannot refuse to consider anything.

DOCTOR STUART: I understand your point of view. We want to help and the only way we can help is through this small committee. If this makes progress, I feel there is quite a little hope to accomplish what we want—to stop the fighting. But I don't see any other way that we can help, other than simply retiring and watching the fight. We have done everything we can. My advice is let the little committee meet and see what happens. I know General Marshall well enough to know that he is going on with his side of it. We cannot promise anything else but we can promise that we want both sides to come together in the coalition government and, before that happens, to have the fighting finished. We can promise that with our whole hearts, and we have the American Government with us.

GENERAL CHOU: Now I won't go into details to start a new discussion but I wish to point out that you both will certainly agree that I am purely for a cessation of hostilities. Now the trouble is that

the Generalissimo would not enter into such an agreement and so at this juncture Doctor Stuart suggested that we might perhaps discuss the State Council business in order to let the Generalissimo feel secure. So, in the latter half of August we came to contemplate whether we will make another trial. But the outcome was merely that the Government representatives feel that they have only a responsibility to discuss the State Council question. On my part I have the full responsibility for all the outstanding issues. I have the responsibility to ask whether after the completion of that discussion the Government would agree to stop fighting. The Government's reply is in the negative. I won't refer to the press statements but I have to point out that even the Generalissimo did not give such a promise.

Now I have to turn to the American mediators to ask whether such a promise can be made and the reply is also, "No". So on what can I rely? Of course I cannot rely on the Kuomintang but now I cannot also rely on the American side. So I feel that I am hanging in the air. But, in committing my party to this negotiation, I must point out a prospect to them that there will be positive result. Now, according to the outline of General Marshall, it might be assumed that until such time as the candidates are designated and as the State Council has been sworn in that no cease fire will be realized.

You already said that you "cannot conceive that negotiations can be carried on while the fighting is still going on". The Generalissimo's reply was simpler. He said he would carefully consider the matter. It all means there is no firm commitment. I recall that during the disputes over Changchun the Government declared that it would stop the fighting when they took over Changchun. They took it by force so they declare they have no obligation to adhere to that promise. Then the question of Harbin turned up and we again secured from Yen-an agreement regarding that concession and still nothing came out of it. Then the Government opened the question of North Kiangsu. I arranged that we would reduce the army strengths in North Kiangsu and nothing came of that. Then 4 conditions were raised and when Doctor Stuart entered the negotiations it was brought up to five.

General Marshall just said he is feeling tired of the negotiation and I share his feeling entirely because I also feel very tired but I wish to state in very brief terms my stand. We are willing to stop the fighting and we are willing to discuss the State Council affairs but we must have a guarantee that the fighting will definitely be stopped. For that purpose I am ready to make concessions with regard to the State Council affairs with a view that it can be settled in one meet-

ing. But when there is no such a guarantee then obviously the Dr. Stuart group cannot be called to meet. From the very beginning I stated time and again that we must have a guarantee. I think my attitude is perfectly clear from the very beginning and my intention to make concessions is also, because of the hope that we might get such a guarantee. But now it is clear I can expect that the Kuomintang would not give a guarantee. It was, however, rather beyond my expectation that the American side would also refrain from giving such a promise. So I sometimes came to doubt whether or not I have been misled. I have also come to think what I should do with Executive Headquarters and the field teams because we here as the Committee of Three and General Marshall as Chairman have to devise some arrangement with regard to that institution.

Now I have to add this, that before you issued a joint statement there had been disputes back and forth between the two parties. Now I want to drop discussion of that but I wish to state one thing. After the joint statement we merely waited for this one thing and we all were in favor of Dr. Stuart's proposal but I stated definitely that we are still not clear whether the Government would guarantee a cessation of hostilities and we have been waiting for that all the time. Previously Doctor Stuart said that such a guarantee must be secured and he will try to secure it both with his power as well as the power of the American Government. But now we know such a guarantee is about hopeless.

DOCTOR STUART: I still don't think that it is hopeless. I feel it is hopeful. I don't feel any less hopeful now than when this proposal was first made. The facts are all essentially the same. If we go ahead with this small informal committee and clear the way for the State Council, I still think there is hope of securing your guarantee. But I don't believe the guarantee can be made until this committee meets and gets some results. I cannot promise anything but that is my advice and my hope. I will go further, I think there ought to be such a guarantee as soon as this committee has accomplished some results.

GENERAL MARSHALL: I would like to say something first. I want to get clear in General Chou's mind that my effort to explain the possible procedure as described by the Generalissimo is the only indication I have had from him on the subject. General Chou referred to my stating only that it was not "conceivable" to me that negotiations could be carried on by the State Council while fighting was going on. He appears to have drawn a wrong conclusion. I intended to convey that thought to the Generalissimo, and now to General Chou, that it was unthinkable to me that the State Council could negotiate at all



while fighting was going on. And, in stating the possible procedure I used the expression "and the State Council might even," I repeat, "*even* be sworn in". But the Generalissimo did not make that as a condition nor did I. For example, it might be that General Chou would go into the meeting of this group and they would find a basis for agreement and they would go further to the Steering Committee, of which I believe he is a member, for the formal confirmation of that informal agreement. And they might "even," I repeat, "even" announce the names of the individuals but with the stipulation that they would not take their seats in the Council until the fighting had ceased. That was more or less what I had in mind; that if the negotiations reached that point that our chances, Dr. Stuart's and mine, of prevailing upon the Government to agree to cessation of hostilities would be greatly increased. I repeated all this again to make clear to you that this is all I know of this phase of the matter. What has been said by Government spokesmen I do not know, but I will have this information carefully collected tonight and tomorrow morning.

One more thing. I asked a question which General Chou has not answered. If we are not to go ahead with the meeting of Doctor Stuart's group, then what does he expect of Doctor Stuart and myself? I ask again, are we to drop negotiations and wait around and watch the fighting develop? He has not answered that question.

GENERAL CHOU: Now I wish first to ask Doctor Stuart one question that was brought up by his statement. Doctor Stuart just said that there ought to be a guarantee as soon as the committee gets results. I would like to know when we would consider the committee had gotten results. What is your conception of the "result"? I would like to get that clarified first.

DOCTOR STUART: If the points of issue about the State Council; that is, the membership, the veto power question, are settled in the committee, and we assume they will be approved by the Steering Committee, it seems to me that General Marshall and I have a very strong argument to use with the Government that the cease firing order should be given. I cannot guarantee it. I can promise that we will do everything in our power to reach that. We can give no guarantee, but suppose General Marshall and I do nothing and the fighting goes on. We guarantee that we will do everything we can to stop the fighting.

GENERAL MARSHALL: I will add to that a repetition of the statement I have made several times which I wish General Chou to keep clearly in mind. The Government did not propose this committee; the Government did not propose this effort to create the State Council. It was initiated; it was thought of by Doctor Stuart and myself and was seized upon as one move in this state of impasse that might be productive of results. It would help us find a basis of agreement for the

cessation of hostilities. It was not a Government proposition at all. In fact, I lost many days in getting the Government agreement. I am now losing many days in the present discussion.

GENERAL CHOU: To me it seems quite clear. At the very beginning the Government did not accept this proposal because it was afraid that it might lead to a cessation of hostilities, but now the Government comes to feel rather convinced that even if a formula has been worked out by this informal group they can still continue to wage the war. They can stall the matter one step after another. So the Government is trying to exploit this arrangement and at the same time not commit themselves to issue a cease fire order.

From Doctor Stuart's statement it seems to me that the guarantee that he has in mind is only that he will exert further efforts to put pressure upon the Government instead of securing a guarantee from the Government side. Still we will have no settlement. For example, if we resolved the issue of the veto power and the membership, we have to secure the approval of the Steering Committee. At that juncture the other parties are to make a cease fire order but the Government would refuse and there will be further argument regarding the candidates. Even if the committee is called nothing will come out. Even the Steering Committee would not bring a settlement to the over-all issue.

GENERAL MARSHALL: What do you mean by "over-all"?

GENERAL CHOU: The cease fire. Following that we have to nominate the candidates. So all the time the Government would give excuses for delaying the issuance of the cease fire order. All the American representatives can do is to push the Government toward that end, but nevertheless the fighting may go on. On my part I am making one concession after another without any result. That is all that I can state today. I have it quite clear in my mind that the Kuomintang would not give a guarantee for the cease fire, but it is only today that I can understand that the American side cannot give that guarantee. The reason that I want to enter into the discussion of this small group is for the purpose of securing a cease fire order. It was beyond my expectations that it cannot be obtained. I only came to realize that today.

General Marshall asked me what should be done as the next step. I must say that I do not know how to answer this question. I have supposed that the Kuomintang would not give this guarantee, but I was still hoping and assuming that you would give this guarantee. I was debating with myself whether under this condition I would enter into the discussion of this informal group, but as you two said, you cannot give this promise. I have to consider further what should be done as a next step. It is, of course, my hope that you would continue

to mediate, but now it seems that you cannot give this guarantee and I feel very much disappointed. I have never thought of such a possibility and I am left very much in the air.

GENERAL MARSHALL: Doctor Stuart wishes to say a few words, but I wish to get something in here.

If Doctor Stuart and I could guarantee the cease fire, the fighting would have stopped months ago. I don't understand you. I am not the Government of China. Doctor Stuart is not the Government of China. Incidentally, the Generalissimo asked me when he was in Mukden to guarantee in a similar manner the Communist action and I declined for a very evident reason. I am not the head of the Communist Party. It is not within the power of Dr. Stuart and myself to furnish such guarantees. As I said, the fighting would have stopped long ago had we such power. You just made the statement that you had made a great many concessions. In this particular matter I don't see that you have made any concessions.

DOCTOR STUART: General Chou agreed last week, as I understand it, to enter in and participate in this small group. Nothing has happened to change the circumstances. The Government has designated its two candidates. There has been a great deal of propaganda from the Government and from Yen-an. I pay no attention to any of that. I have never made any guarantee. General Marshall just said that we cannot guarantee any cease fire, but we have guaranteed that we will do everything we possibly can in urging that the fighting be terminated. That is all we have ever been able to do. We have not changed our attitude whatever.

(Doctor Stuart and General Chou had a short discussion in Chinese after which Doctor Stuart left the meeting.)

GENERAL CHOU: I want to mention two points.

First, as to the concessions I have made during this period. As you will recall, from the very outset the Communists desired an unconditional truce. In the June negotiations I made a number of concessions with regard to the various subjects. Those concessions still stand, but at that time I also declared that no new subjects should be brought into discussion. But later on Dr. Stuart made this suggestion regarding the State Council. That was, of course, not in keeping with the original point of view, but then I still agreed to enter into the discussion. As I see it, this constitutes a concession because that is a subject which was not included on the original June negotiation agenda.

Second, as to the statement of Dr. Stuart concerning new factors, the situation did undergo some change. Whereas Yen-an has made no reference to the business with the informal group, the Government



side did make a lot of propaganda about this informal group and Wu Teh Chen has already expressed his opinion on this matter. When the question of the State Council was first brought into discussion, I had the clear impression that as soon as a solution was worked out the fighting would be stopped. Now the Government representatives have already expressed themselves before the committee has been convened. It was my original idea that when the committee was convened I would first put forward the question of whether it is the Government's idea that as soon as the membership and veto powers have been settled the Government would agree to stop the fighting. Now Wu Teh Chen has already said that they would not do it. While I am the Communist representative with full authority, the Government representatives have only one responsibility; that is toward the State Council discussion. So I cannot but feel that I have the obligation to ask you and Dr. Stuart whether you can settle the question of the cease fire at the time when the discussion of the State Council is finished.

It seems that you are not in the position to answer that question. I feel rather disappointed that the concessions I made did not produce the result. That is my present position. The present action indicates that there is no hope with the cease fire. I asked if you could furnish a guarantee. What I had in mind is whether or not you could guarantee to the Communist Party that in case the small group has obtained results to step out in case the Government still delays the issuance of the cease fire order. It appears to me that you can offer no guarantee at all. Dr. Stuart has said previously that in case the discussion has been completed but no cease fire order issued, he would step out to criticize the Government. I had a conversation with Dr. Stuart and he said he certainly would criticize the Government. I admit that the conversation I had with Dr. Stuart had no official record. We had an informal Chinese record. Some times the discussion was rather confused. So, I have just asked Dr. Stuart if I may put into writing a few questions and Dr. Stuart would give his answer. That would help clear up the situation.

GENERAL MARSHALL: Now, *if* an agreement had been reached as to the basis for the organization of the State Council and *if* it had been cleared by the Steering Committee and *then* the Communists stated they would not nominate their members until the fighting had ceased, I would confirm their action as being my understanding; that they were under no obligation to nominate their members until the fighting had ceased. In other words, to that extent I would endeavor to protect the Communist Party against the accusation that they were showing bad faith in refusing to go ahead with the State Council under those

conditions, and therefore the Government was unjustified in making such an accusation. Now, whether or not I would go further than that would depend on the terms for the cessation of hostilities. I am not referring directly to the five conditions made by the Generalissimo, but I am referring to the confused state of things which has occurred since early June. Therefore I do not know now how it is to be unravelled. I would have to decide that at the time the Committee of Three sat down to indicate how the troops were to be re-disposed.

It is getting late and I suggest that we adjourn.

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893.00/9-546 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, September 5, 1946.

[Received September 5—6 : 45 p. m.]

1423. On September 1, General Chou En-lai gave a press conference in Shanghai on surplus property agreement. *North China Daily News* was only Shanghai English language newspaper which carried report on this interview in which Chou charged that US is helping Chinese Govt in its war against Communists and that American policy at present is reason for civil war. Although US has sent its mediators to China it at same time assists Kuomintang, latest manifestation being surplus property agreement. This assistance nullifies efforts being made by US to bring about peace. Chou stated his opinion that Kuomintang not only intends to keep on fighting but will also persist in making unacceptable demands. American aid proves US has decided to assist only one party govt. Chou further stated that unless US proclaims its mediatory position and withdraws its forces it should announce its all out support for Kuomintang. This assistance, while helping Kuomintang become strong, is contrary to basic American interests and is being pursued because Americans lack a clear vision of present situation.

Chou denied foreign reports that fighting in China is not an all out civil war and stated that though appointment of Ambassador Stuart revived Communist hopes subsequent developments have destroyed them.

Full text follows by air mail.<sup>36</sup>

STUART

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<sup>36</sup> Not printed.

Marshall Mission Files, Lot 54-D270

*President Truman to the Chinese Ambassador (Koo)*<sup>37</sup>

[WASHINGTON,] September 5, 1946.

MY DEAR MR. AMBASSADOR: I have received your letter of August twenty-eighth, transmitting a message from President Chiang Kai-shek to me.

I should appreciate your transmitting to President Chiang by expeditious means the following mesage<sup>38</sup> in acknowledgment of his reply:

"I appreciate receiving your message transmitted to me by your Ambassador, Dr. Koo, in his letter of August twenty-eighth.

"Your references to General Marshall have been noted with gratification.

"I welcome the indication contained in the concluding paragraphs of your message that strenuous efforts are being made to effect the settlement of the internal problems with which you are confronted. I earnestly hope that at any early date a satisfactory political solution can be reached which will bring about a cessation of armed strife and thereby make it possible for you and the Chinese people to proceed with the great and urgent task of reconstruction. Furthermore, it is my continuing desire that the prompt removal of the threat of widespread civil war through the achievement of political unity will render it feasible for the United States, in the sense of the final paragraph of the United States Government's policy statement of last December fifteenth, to move forward with plans to assist China in the rehabilitation of its agrarian and industrial economy. Harry S. Truman"

Your courtesy in forwarding to me President Chiang's message and in transmitting my acknowledgment is appreciated.

Very sincerely yours,

HARRY S. TRUMAN

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*Draft Policy Memorandum Prepared in the Embassy in China*<sup>39</sup>

On the assumption that a state of civil war exists in China, it is necessary to reappraise the American position and determine what course of action should be followed in the face of this situation.

<sup>37</sup> Handed on September 9 by the Director of the Office of Far Eastern Affairs to the Chinese Ambassador.

<sup>38</sup> Text of this message was drafted in the Department and transmitted on August 30 to General Marshall for his approval before being submitted to President Truman and communicated to the Chinese Ambassador. In transmitting the text, Under Secretary of State Acheson and the Director of the Office of Far Eastern Affairs Vincent explained to General Marshall that "Actually, the State Department considers the Generalissimo's reply to the President as unsatisfactory in itself and subject to evaluation in the light of subsequent developments."

<sup>39</sup> See last paragraph of General Marshall's telegram No. 1367, August 23, p. 79. This draft was forwarded on September 6 by the Minister-Counselor of Embassy (Butterworth) to General Marshall with the observation, "Needless to say, I am not satisfied with it, having sought unsuccessfully some elixir to give a new life to our policy".



The primary and most urgent factor is that the existence of a state of civil war will inevitably encourage and increase the interest of the Soviet Union in the Chinese conflict and stimulate its hope that the United States may be persuaded by events to get out of China. Soviet political expansion into China would constitute a threat to the national security of the United States. It is, therefore, of primary importance that the United States remain in China and, concomitantly, that it maintain its policy objective, the creation of a united China, the first step toward which being a cessation of hostilities. It is merely the tactics to be employed to accomplish the immediate objective that are now subject to review and modification in the light of recent developments.

In my opinion, it would be as impractical for the United States to withdraw all aid from the recognized government of China and adopt a so-called policy of neutrality as it would be for it to accord all-out support to that government, giving it the wherewithall to solve the Communist problem by force of arms. The former course would discriminate against the effective government of most of China and would ultimately result in a chaotic condition in which the Chinese would find themselves at the mercy of Soviet machinations. The second course would discriminate against a large section of the Chinese people and would almost inevitably result at a certain stage in open or covert Soviet support of the Communists in order to advance their own interests, eventually leading to the possibility of a serious clash between the Soviet Union and the United States.

The alternative policy is conditional support of the National Government, using such support as a remaining lever to influence the Central Government toward some reasonable compromise in the overall political situation. In continuing a measure of support to the Government, it should be understood that the Generalissimo is the master in his own house and has practical control over the political situation in Kuomintang China. This being the case, and in view of his previous record and present position, there is no good reason to suppose pressure on him will cause him to undergo any fundamental change in his basic political philosophy and outlook. We must, therefore, take him as he is, but by our actions refrain from giving such support as will encourage him to think he can obtain a settlement of the Chinese problem by force. He must also be convinced that there are certain limits beyond which he cannot go and still continue to receive American assistance. Admittedly, this policy is in part one of penalizing the Central Government without corresponding pressure on the Communists; the fact is that we are in no position to exert any effective, positive pressure on Yen-an.

A profound division exists between the supporters of the Central Government and the Communists. Mutual fear and distrust, even more than divergent political and economic philosophies, act to prevent immediate and peaceful settlement of the issues in dispute. A difference in the concept of the status of the Communist Party in the Chinese scene accentuates the attitude of suspicion. Two decades of intermittent civil strife have well laid the basis for mutual fear and distrust and confirmed the Communists in their belief that their political party requires its own army to assure its continued existence, and that having such an army they can operate as a state within a state. Correspondingly, the Central Government, aware of the gains the Communists have made at the expense of the legal government of China by employing forceful rather than political methods, holds the view that the party is in armed revolt against the legal government and can quite properly be treated as such. At the present time, the result is that both factions appear to be convinced of the inevitability of extended civil war; the Central Government because it thinks it can and should obtain by force of arms a dictated peace or at least secure a position sufficiently favorable to bargain more effectively; and the Communist Party because it appears to be convinced that the foregoing is the determined course of action of the Central Government and that it must, therefore, by a sufficient show or use of force demonstrate that this Government[']s desiderata cannot be achieved and thereby, in turn, strengthen their own bargaining position. Additionally, the Communist Party may or may not believe that further extension of the civil war will so impair the overall Chinese economic and financial situation that the Communist appeal to the Chinese people will be correspondingly strengthened. It must, therefore, be the objective of the United States to convince the Generalissimo that settlement by military means is impossible and that he cannot expect American support in any such effort and, on the other hand, to convince the Communists that they will stand to lose more than they could conceivably gain should they refuse to accept any reasonable solution offered.

Although much has been accomplished for the Chinese people by way of reconstruction and rehabilitation during this year of relative peace, it must be recognized that the attainment of the objectives of American policy in China has now suffered a serious check and that as a result there is little likelihood that anything constructive can be achieved by American mediation until both disputants are finally persuaded of the inevitability of a political settlement. It must also be recognized that there will be serious danger in a stalemated continuance of civil war; that China may, in effect, become divided into two areas with the Soviet Union exercising predominant influence in

the northern one. This eventuality must, if at all possible, be avoided; we must hew to our line of policy—to foster the creation of a united and stable China. Therefore, it is essential that the mechanism and instruments of American mediation and assistance be maintained in being available for immediate use when a condition of stalemate will make both parties more receptive to mediation. Accordingly, it is recommended that the following steps be taken:

(1) the President make a statement of American policy, suggested draft of which is attached;

(2) the mediatory efforts of the United States be, for the time being, held in abeyance until it becomes apparent to both sides that neither one can win, along with the increasing demand of the vast majority of the Chinese people for a peaceful settlement;

(3) acceleration of the process of regrouping and reducing the number of marines in North China with a view to their early withdrawal at a propitious moment, after due notification to the Central Government in order that it can prepare occupation of the areas to be evacuated by American forces; the marines at Tsingtao to be the first to be withdrawn since the situation in that particular area appears more stabilized and withdrawal would cause the least repercussions;

(4) immobilization of military assistance, such as MAGIC and Executive Headquarters, until such time as these instruments can usefully be employed again;

(5) maintenance of the Seventh Fleet based on Tsingtao, but curtailment of the training program for the Chinese Navy;

(6) in the economic field the ship transfer negotiations to be concluded and action continued on credits already granted, including Surplus Property Agreements, it being thoroughly understood that none of these credits is to be utilized for acquisition of arms, ammunition and munitions of war; export licenses are also to be withheld on arms, ammunition and munitions of war even if they are paid for in cash by the Chinese Government; no new Export-Import credits to be granted except for long-range construction and development programs to improve transportation which would have no important relationship to the immediate problem.

Should it become apparent at any time that the Soviet Union is giving effective assistance to the Communists, it would, of course, then become necessary to reconsider our position and set our course of action accordingly.

NANKING, September 6, 1946.

[Annex]

#### SUGGESTED PRESIDENTIAL STATEMENT

Since I asked General of the Army George C. Marshall to go to China in December of last year to assist the Republic of China to find



a satisfactory solution to the dispute which was disrupting the peace and welfare of that country, whole-hearted efforts have been made to find an acceptable solution to this perplexing and dangerous situation. Through the cooperation of those concerned much progress has been made in determining the nature of the various issues in controversy and in reaching substantial agreement on a wide range of important problems. The most outstanding example of this was the agreements reached by the representatives of all parties and groups in the Political Consultative Conference which offered a liberal and far-sighted means by which the various political groups could reach a peaceful settlement. In the light of the predominating desire of the overwhelming majority of the Chinese people for peace and unity, the remaining obstacles to complete agreement are by no means insuperable.

Despite the proximity of agreement, there has been during recent weeks a gradual but decided spread of hostilities which now threaten to engulf the entire country and to push into the unpredictable future the period when a strong and united China can turn its entire efforts away from bloodshed and fratricide to furthering the peaceful pursuits which are desperately needed after the long years of bitter warfare against Japan. So widespread has the fighting now become that it approaches a state of general civil war with all the destruction, misery and human suffering which that must inevitably entail.

In these circumstances I am forced to make known that the responsibility for not accepting the compromised proposals for meeting the remaining issues in dispute must be borne by irreconcilable cliques in both major political parties whose intransigence, mutual suspicion and lack of good faith have thus far prevented accord.

The Government of the United States still believes, as I said last December, that "China has a clear responsibility to the other United Nations to eliminate armed conflict within its territory as constituting a threat to other people, a responsibility which is shared by the National Government and all Chinese political elements and groups."

With the advent of this period of needless bloodshed the moment has come for the conscience and desires of the Chinese people to make themselves overwhelmingly and unmistakably heard to the end that conflict of Chinese against Chinese shall be stopped.

In my statement of December 15, 1945, I declared that, "The Government of the United States has long subscribed to the principle that the management of internal affairs is the responsibility of the peoples of the sovereign nations. Events of this century, however, would indicate that a breach of peace anywhere in the world threatens the peace of the entire world." I also said, "The United States is cognizant that the present National Government of China is a 'one-party government' and believes that peace, unity, and democratic re-

form in China will be furthered if the basis of this Government is broadened to include other political elements in the country", and further that "in line with its often expressed views regarding self-determination, the United States Government considers that the detailed steps necessary to the achievement of political unity in China must be worked out by the Chinese themselves and that intervention by any foreign government in these matters would be inappropriate." This is still my view and the policy of the Government of the United States.

China must realize, however, that although the people and Government of the United States are desirous of assisting the people of China to rehabilitate their country and to improve their agrarian and industrial economy, they will only sanction such assistance on the understanding that China will move toward peace, unity and democracy.

Accordingly, I appeal to all Chinese elements and groups to subordinate partisanship in the interest of their country as a whole for which peace is so essential and to reinstitute negotiations to that end. While this exclusively Chinese effort is proceeding, the mediatory mission established by the United States in China will be maintained in readiness to assist in implementing any arrangement which may result. In the meantime, the Government of the United States will refrain from any action which in its opinion might lead either of the contending elements in China to believe that it could force a military decision with American assistance. Furthermore, it is the full expectation of the United States that all other nations of the world will adopt an attitude which will give the Chinese people a free and unembarrassed opportunity to resolve their difficulties without external interference.

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and General Yu Ta-wei at No. 5 Ning Hai Road, Nanking, September 6, 1946, 10:30 a. m.*

Also present: Colonel Caughey

General Yu Ta Wei presented General Marshall with a brief case history of 7.92 ammunition (enclosed) and a copy of the reply which the Chinese Government had received from Washington (enclosed).<sup>41</sup> General Yu stated that he did not like the reply and still felt that it was a low level State Department decision. General Marshall said he would look into the matter.<sup>42</sup>

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<sup>41</sup> Enclosures not printed.

<sup>42</sup> For correspondence on the subject of arms and ammunition shipments, see pp. 724 ff.

General Yu said that the Generalissimo would like to know what was the status of Doctor Stuart's small group; specifically, is General Chou insisting on simultaneous discussion of cease fire arrangements?

General Marshall told General Yu that General Chou was insisting on simultaneous discussion of political and military matters. He (General Chou) wanted to be assured that a cease-fire order would be issued if a satisfactory solution was arrived at in Doctor Stuart's small group.

General Marshall continued that there is still a hope of resolving this matter and added that the numerous statements issued by Government spokesmen in the form of propaganda is making solution increasingly difficult.

General Yu said he felt that General Chou must have received, recently, new instructions from Yen-an which have caused him to stiffen his attitude with respect to the current negoti[ati]ons.

General Yu said he was greatly concerned over the fact that National Forces had continued demobilization but that the Communists apparently had not. General Yu added that this was placing the Government in the difficult position of taking care of persons demobilized, particularly officers, and also in an unfair position since the Communists had demobilized none of their troops. General Yu said he would give General Marshall a copy of the current dispositions of National Forces.

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall, Dr. Stuart, and General Chou En-lai at No. 5 Ning Hai Road, Nanking, September 6, 1946, 1:30 p. m.*

Also present: Colonel Caughey  
Captain Soong  
Mister Chang

GENERAL CHOU: Are you leaving for Kuling this afternoon?

GENERAL MARSHALL: I probably will. It is not certain.

GENERAL CHOU: The paper I said I was going to write, Mr. Chang is typing up. As soon as it is finished, it will be brought over here. The purpose of this paper is to summarize the points in all the previous discussions, to write it down on paper to clarify all these points discussed before and to avoid any misunderstandings. As soon as the points are clarified I will report it to Yen-an.

Doctor Stuart then arrived. General Chou gave him a brief résumé of what had occurred.



GENERAL CHOU: In the past when I reported to Yen-an, I had hoped that a cease fire order could be issued when the agreement is reached on the procedure of a State Council regarding reorganization of the Government in the informal group. But, in view of these strong demands on the part of the Government, it has made negotiation extremely difficult. In view of yesterday's talk with you and Dr. Stuart, I felt that something new has been put into the negotiation. In the last few times of negotiation many of the new conditions have come into existence which have made negotiations extremely difficult.

In the first place, there is no guarantee that can be given for cease fire immediately upon reaching an agreement in reorganization of the government. Second, the signing of the sale of the surplus property by the United States Government to China.<sup>43</sup> Third, after the occupation of Chengteh by the Government, General Chen Cheng announced the intention of the Government to advance into Kalgan. These three things happened at the same time. These three things have made the purpose of the informal group to discuss reorganization of the Government extremely difficult. Therefore, I must give it very serious consideration. Therefore, I want to have it written on paper. I also put down the last comments made by both you and Dr. Stuart yesterday and I want to present this report to Yen-an. Also I will make my comments to this report and ask Yen-an for instruction. In doing this, it will avoid any further misunderstanding on our part. I will submit this report to you later when Mr. Chang comes and I want to have you check what I have written down to make any necessary corrections on your and Dr. Stuart's comments.

That is all I have to say.

DOCTOR STUART: I have nothing to say until we see the document.

GENERAL MARSHALL: How long will it be before Mr. Chang arrives?

GENERAL CHOU: I think about 5 to 10 minutes. When I left I had already read the script.

GENERAL MARSHALL: I will leave General Chou and Dr. Stuart to have any conversation they want.

General Marshall left the meeting for about ten minutes. When Mr. Chang arrived General Chou gave copies of the message<sup>44</sup> to General Marshall and Dr. Stuart.

GENERAL CHOU: This is what I have put down that I want to transmit as a report on the present situation of issue. Because some points refer to your and Dr. Stuart's statements, I would like you to check them before I dispatch the message.

GENERAL MARSHALL: In the first place you use a term here that I inquired about yesterday, "government reorganization". Dr. Stuart

<sup>43</sup> Signed at Shanghai, August 30, 1946; for correspondence, see pp. 1033 ff.

<sup>44</sup> Not printed, but for revised text see *infra*.

and I have discussed the establishment of a State Council as an initial step toward governmental reorganization. We have confined our discussion to that issue above and have explained that it is our intention that the group proposed, with the chairmanship of Dr. Stuart, would so far as American participation is concerned, confine its discussion to the problem of the State Council. As I have just said, this paper uses the general term "government reorganization".

GENERAL CHOU: My understanding is this—that according to Dr. Stuart's proposal this informal group, under chairmanship of Dr. Stuart, is entirely confined to discussion on the initiation of the State Council, but when it reaches the Steering Committee the Steering Committee may go beyond that scope as to envelop the Executive Yuan and other matters. That is why I used the term "reorganization of the government". So there is a different understanding on the function of the Stuart group and the Steering Committee. They may be made explicit in my message.

GENERAL MARSHALL: My comment is addressed to the fact that you are asking us for an expression of opinion regarding this paper and yet you are using a term that I do not accept.

DOCTOR STUART: So far as the small committee is concerned, it is confined to the State Council. General Chou is changing that. But he said the Steering Committee had the right to raise that issue.

GENERAL MARSHALL: We have not time to go over all those things. They are long and complicated and we would need days instead of hours.

DOCTOR STUART: We would rather that is left out altogether.

GENERAL MARSHALL: The Steering Committee only came into this matter to meet General Chou's demand that whatever this small group did, it would be confirmed by the Steering Committee. We are not putting ourselves in a position of attacking, at this time, all of these complicated political matters that you gentlemen have been unable to settle after long months of discussion. We are trying to get one single thing straightened out.

As to sub-paragraph one, regarding governmental organization and PCC resolutions, the first sentence states these are included, the implication being from Dr. Stuart and myself, that such an understanding is favored by the government. The only understanding Dr. Stuart and I have with the Government pertains to the State Council alone.

Sub-paragraph two again brings up the question of governmental reorganization in regard to the business of the informal group. We had confined our proposal for the informal group to the sole question of the State Council.

As to sub-paragraph three, I have no comment.

As to sub-paragraph [*paragraph*] four, in the last sentence Dr. Stuart and I think the word "prospect" should read "assurance".

Sub-paragraph [*Paragraph*] 6, in the first sentence relating to Dr. Stuart is the expression that "the United States side will exercise criticism on the Chinese Government." That is Dr. Stuart's statement regarding his willingness.

As to sub-paragraph [*paragraph*] seven, the first sentence where it says "The American side," should read "support" instead of "endorse" the stand. The remainder of that paragraph presents a confusion of my statement and your recording. As nearly as I can recall, what I stated was that I could not promise at this time just what my view would be regarding the military situation at that time. That can only be a guess at the present moment, and would have to take into account the events between now and then. I do not recall to what extent I elaborated on that but we can look at the record and see. The situation has changed materially since June 30th and is changing every day and becoming much more complicated for readjustment. My own attitude is very much that which I expressed in relation to Manchuria, that I could not commit myself either with the Government or the Communist Party until I had a fairly definite understanding of what their respective stipulations or conditions were to be; that I could not put myself in the position of being a party to an agreement which probably would quickly break down in serious disagreements over the actual terms of agreement.

GENERAL CHOU: With regard to the statements you have just made, I think I understand what you mean, but there are two points to be made clear: 1) When we come to the point of bringing about the cessation of hostilities, is it your understanding that it will be brought before the Committee of Three for settlement?

GENERAL MARSHALL: That is correct, it is my idea rather than my understanding, as understanding implies that the Generalissimo had told me that.

GENERAL CHOU: 2) I suppose that by that time the Government instead of agreeing to an unconditional truce will want to present certain demands, for example the five conditions, and whether such a possibility exists or not that the government will want certain terms?

GENERAL MARSHALL: That is my guess, as that is what they have been stating.

GENERAL CHOU: But you do not preclude such a possibility?

GENERAL MARSHALL: What happened was this; a statement had been made by the Generalissimo that might well be taken as indicating that the basis for settlement of hostilities was very simple. For example, that the Communists cease fighting would be all that was necessary, and that the terms of the January 10 agreement apply now.



In order to avoid the possibility of any misunderstanding, to avoid my being embarrassed and General Chou being misled, I have in each case carefully questioned the Generalissimo to make certain that each one of these difficult points was brought out into the open. So far I have found each time that he was not receding on his 5 conditions. Therefore, I have so explained the matter to General Chou in order that he would not be misled. I wondered once or twice whether or not General Chou had unconsciously come to feel that I was making the conditions. I was trying to be very certain that I did not find myself in the embarrassing position, so I have in each case asked as many searching questions as seemed necessary to make certain that there could be no misunderstanding. If the Generalissimo today were to make a statement to me indicating his intention to go ahead with the cessation of hostilities, I would question him very closely to make certain that I did not find myself in a dilemma of misunderstanding.

I have disliked asking some of the questions because they seem to suggest difficulties, but I was afraid to pass the matter over and accept the general statement without the detailed exposition of actually what was intended. Now my hope, and that of Dr. Stuart, has been that we might prevail upon the Government to moderate their demands to an extent that would be acceptable to the Communist Party and when we found ourselves in a deadlock we turned as a last resort to the settlement of one political phase of the matter. We thought that if that could be accomplished it might have the effect of stimulating a little of the mutual confidence that seemed to exist in January and under that condition we could find a solution to the problem of terminating hostilities.

GENERAL CHOU: I accept all the points which you have suggested be amended, but as to the last part of paragraph seven, I wonder if my understanding of your statement is correct. Does it mean that as to the cessation of hostilities it is expected to be brought before the Committee of Three for discussion and that there is also the possibility that the Government would bring forth certain conditions before the Committee of Three; such conditions for the cessation of hostilities as the five conditions recently put forth by the Government?

GENERAL MARSHALL: That is my conception. I am not agreeing to the procedure because I have to get the Generalissimo's views first. That is my conception and it will be my effort to have that arrangement agreed to.

GENERAL CHOU: We can leave out the last part of that paragraph if it is not clear to you.

GENERAL MARSHALL: Do you have any objection to my outlining this message to the Generalissimo, or would you rather I wait?

GENERAL CHOU: No objection.

DOCTOR STUART: This is supposed to be confidential. I do not think General Chou wants it published.

GENERAL MARSHALL: I am thinking of the publicity. You never can tell where the publicity is going to come from and if I talk to the Generalissimo I cannot be certain what will happen.

DOCTOR STUART: They (the Communists) are the ones who don't intend to announce it.

GENERAL CHOU: My idea is that you can certainly communicate to the Government and the Generalissimo the contents of this message. If they would leak it out for publicity it is not your concern. If the Government makes publicity of it, then of course I will feel forced to make a reply, but I hope that before our next meeting you will keep it confidential.

GENERAL MARSHALL: Maybe a better way would be for me not to refer to that document but merely talk about the issues.

GENERAL CHOU: I agree.

GENERAL MARSHALL: I will do it that way if possible. I think I can make the approach. I can state all the matters you have listed and say that you are communicating with Yen-an without saying we have this in the form of a document.

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Marshall Mission Files, Lot 54-D270

*Memorandum by General Chou En-lai*<sup>45</sup>

[NANKING,] 6 Sep[tember 19]46.

1. A state of civil war does exist and is going on in China.
2. The Chinese Communist Party advocated an unconditional truce, which implied that both the Kuomintang and the Chinese Communist Party should immediately cease firing and implement the terms agreed during the June armistice. The Kuomintang insisted that firing cannot be ceased until the Communists have evacuated all places which they deem as menacing peace and disrupting communications, in other words, the 5-point demand should be carried out in the first place.
3. Dr. Stuart suggested that with a view to approaching the realization of cease firing an informal five-man group be initiated to discuss the question of government reorganization. General Marshall and Dr. Stuart promised to exert their utmost efforts as representatives of the U. S. government to press for the realization of peace. Although the Chinese Communists are fully aware that the Kuomintang has no intent to cease firing by the time the discussion of govern-

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<sup>45</sup> Revised after discussion with General Marshall and Ambassador Stuart; see minutes *supra*. Bracketed section apparently inadvertently dropped from previous draft.

ment reorganization [is completed, they nevertheless consented to the initiation of the informal group for the discussion of the government reorganization] in order to demonstrate their great esteem for the utmost efforts exerted by the two mediators. But before entering into such a discussion, they wish to have their mind cleared as to the following three points:

(1) Whether or not the government reorganization will be effected in accordance with the procedure stipulated by the PCC resolutions. If this is the case, then the formula for government reorganization shall be submitted to the PCC Steering Committee for final approval. It is communicated that such an understanding is shared by the Government.

(2) Whether or not the Government would agree to the issuance of cease fire orders by both parties as soon as the formula for government reorganization is worked out by the informal group.

(3) Whether or not the Government would agree to drop its five-point demand. Regarding the last two points the Government reply is in the negative as was borne out by the public statements made by Dr. Peng Hsueh-pei, Mr. Wu Ting-chang, Mr. Wu Te-chen and General Chen Cheng. The outcome of Generalissimo's conversation with General Marshall during the last three weeks tended to underscore such a trend.

4. The Chinese Communist Party suggests that the Government would promise to issue joint cease fire orders as soon as the discussion of the informal group bears result. Both General Marshall and Dr. Stuart communicated that there is no assurance of securing such a promise at this stage.

5. The Chinese Communist Party further suggests whether or not the American side feels itself in the position to furnish the promise that as soon as the formula for government reorganization has been reached by the informal group, cease fire orders will be issued by both sides without delay. Both General Marshall and Dr. Stuart replied that such a promise is also not possible at this time.

6. Dr. Stuart can only go so far as to promise that in case the Government still refuses to issue cease fire order by the time the formula for government reorganization has been passed by the Steering Committee, he will exercise criticism on the Chinese Government, but it cannot interfere with the actions of the Government and force it to accept cessation of fighting.

7. According to General Marshall, if the agreement on the reorganization of the Government had been cleared by the PCC Steering Committee, and the Chinese Communists stated that they would not nominate their membership until the cease firing is declared, then the American side would endorse their stand. As to the terms for cessation of hostilities, it is General Marshall's view that they should still



be open to settlement by the Committee of Three. On the Communist enquiry as to what should happen in case the Government insists that the Communists should evacuate all five or at least one of the five aforementioned areas as is embodied in the five-point demand, General Marshall's reply is that such a prospect is possible, but it is beyond the power of the American representatives to interfere.

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to President Truman*<sup>46</sup>

SEPTEMBER 6, 1946.

1454 [1450]. DEAR MR. PRESIDENT: Since my message of August 30th, 1946, I have been to Kuling, conferred with the Generalissimo and returned to Nanking where I have conferred at length with Chou En Lai. Following is the situation :

The violence of the propaganda has seriously compromised the project for the meeting of the small group under Dr. Stuart's chairmanship to find an agreement as a basis of organization of the State Council. Chou En Lai communicated with Yen-an regarding the possibility of the Communists coming out with an order for the cessation of hostilities by their armies for a given period of days in an effort to bring the National Government to similar action. Meanwhile different Government spokesmen, including the Minister of Information and the Chief of Staff, made public announcements that there would be no abatement of the five conditions or stipulations by the Generalissimo before he would consider a cessation of hostilities. Chou En Lai had hoped that if the Stuart group reached an agreement on the formation of the State Council that this could immediately be followed by the cessation of hostilities. It has been the hope of Dr. Stuart and myself that by addressing our efforts for the time being to the single problem of the State Council we might make a gain which would sufficiently influence mutual confidence to permit the arrangement of an agreement for the termination of hostilities.

As the Government campaign in Jehol continues to develop to its advantage, the Government's stand regarding the Communists has become the more implacable regarding the conditions for the termination of hostilities.

In this situation I outlined for the Generalissimo in a completely frank talk the present procedure of the Government, as I felt it involved me and the United States Government indirectly in procedures

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<sup>46</sup> Copy transmitted to the Under Secretary of State on September 8 by the War Department.

which were not to be tolerated. For example, when I directed that the Marines be relieved from a number of detached and therefore exposed posts along the railroad, the Marine commander was informed that the campaign then in progress required all of the available troops in that region until September 23, notwithstanding the fact that two armies had recently been landed at Chinwangtao, the last one from Formosa. Since the Marines were keeping the railroad open and the railroad of necessity was becoming a factor in a campaign which I deplored and opposed, this situation had to be terminated. I further pointed out that not only was the Government, in the midst of a deplorable currency and financial situation, utilizing its capital resources for the conduct of the present fighting, but I felt certain it was also utilizing for the same purpose such money as already had been received from the sale of surplus property and was counting on larger sums to become available from that transaction. I referred to the rottenness and corruption and extortion in the lower echelons of the Kuomintang Party and stated that there was little hope for correcting such a condition except on the basis of a genuine two party government.

The Generalissimo turned the conversation to the discussion of the State Council and particularly to the Communist claims he anticipated would immediately follow an agreement regarding the State Council. He was particularly concerned to see that they nominated their delegates to the National Assembly scheduled for November 12th. He inferred that the cessation of hostilities would be made dependent on the Communists nominating their delegates and he spoke of having a first formal meeting of the State Council and at the same time the announcement of the delegates for the National Convention on October 10th, the anniversary of the independence in China. I took issue emphatically with the idea of prolonging hostilities in such a manner and insisted again that we were now on the verge of a spread of the fighting into Manchuria and once that developed the situation would be completely out of hand. I maintained that, in my opinion, the Communists' first interest at the present time was in seeing that the draft of the constitution to be presented to the Assembly was actually prepared by the committee in accordance with the Political Consultative Council and that the Government should go ahead with the prescribed procedure which had been brought to a halt last April. The Generalissimo felt that the Communists would immediately insist on the reorganization of the Executive Yuan, meaning most of the organs of the government, which would be in accordance with the Political Consultative Council agreements.

Chou En Lai yesterday, in his second lengthy conference with me in the past two days, expressed his reluctance to proceed with the discus-

sion by the Stuart group of the terms for the organization of the State Council unless there was some guarantee that such an agreement would be paralleled by an unconditional cessation of hostilities. He insisted that he should have some guarantee to this effect, but recognized that the Government would not give such a guarantee and therefore appealed to Dr. Stuart and I to do so. We, of course, informed him that we had no power to give such a guarantee. As a matter of fact, this was an exact duplication of the Generalissimo's demand on me from Mukden in May to guarantee certain actions by the Communists.

When the meeting with Chou En Lai terminated yesterday evening, it appeared that we would consider going ahead with the meeting of Dr. Stuart's group, but only with the understanding that if an agreement was reached and then if a cessation of hostilities did not follow, Dr. Stuart and I would publicly demand [*defend*] the position of the Communists in not going forward with their nominees for the State Council until hostilities were terminated.

A few minutes ago Dr. Stuart and I completed another meeting with Chou En Lai. He had listed a series of statements regarding the approach to the State Council meeting which he wished us to comment on before he dispatched them to Yen-an to explain the situation accurately and, presumably, to get a clearance to go ahead with the meeting of the Stuart group. I am now leaving for Kuling.

G. C. MARSHALL

893.00/9-646 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, September 6, 1946—5 p. m.

[Received September 6—6:15 a. m.]

1432. General Marshall and I had long conference yesterday with Chou En-lai discussing his fears regarding further Government demands when Committee of Five would have prepared the way for State Council (ReEmbtel 1421, Sept. 4, 7 [9?] p. m.). Last night he drafted a message to Yen-an which we approved today with alterations. If the reply is favorable the Committee will meet at once. General Marshall left this afternoon for Kuling and will make further efforts to secure from Gimo a further moderation of military condition precedent to issuance of cease-fire order. Communists seem principally concerned over immediate cessation of hostilities and draft of constitution to be discussed at National Assembly November 12.

STUART



Marshall Mission Files, Lot 54-D270 : Telegram

*Mr. Walter S. Robertson to General Marshall*

[PEIPING,] 7 September 1946.

8111. Team 25 delayed for 3 days during final phases of investigation. A directive<sup>47</sup> signed by 3 Commissioners on 14 August 1946 provides that "The team will interview and record the testimony of such other witnesses as each Branch considers necessary to establish facts directly related to incident." During team meeting on 5 September National Government member proposed names of two witnesses. Communist Party member refused to accept these witnesses and offered no satisfactory justification. At informal conference on 6 September I brought this matter to the attention of the Communist Party Commissioner who stated he would investigate the actions of his team member and instruct him to comply with the directive. However, on 7 September another team meeting was held at which the Communist Party Branch member still refused to alter his position. To correct the situation an informal conference was again held today 7 September with the Communist Party Commissioner. He informed me that he had instructed his representative subsequent to our first conference and stated further he would repeat his instructions. We are now awaiting results of this last conference. This is furnished for your information.

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893.00/9-946

*Memorandum of Conversation, by the Director of the Office of Far Eastern Affairs (Vincent)*<sup>48</sup>

[WASHINGTON,] September 9, 1946.

Participants: Dr. Tan Shao-hwa, Minister-Counselor, Chinese Embassy;

John Carter Vincent, FE.

Dr. Tan called at my request to take delivery of the President's letter to Ambassador Koo<sup>49</sup> containing a message from the President to President Chiang Kai-shek.

I told Dr. Tan we had no intention of taking sides in China's civil war, but we continued in our desire to aid China in reconstruction just as soon as a political settlement along lines advocated by General Marshall could be achieved.

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<sup>47</sup> *Post*, p. 329.

<sup>48</sup> Copy transmitted to President Truman on September 14 by Acting Secretary of State Clayton following a suggestion on September 11 by Mr. Vincent.

<sup>49</sup> Dated September 5, p. 147.

Dr. Tan spoke of the great difficulties in arriving at any agreement with the Chinese Communists. He said that their organization and methods made it impossible to work with them. He said that all thinking Chinese desired to avoid civil war but that the Chinese Government felt that it must take effective measures to prevent the Russians from having direct contact with and giving military assistance to the Chinese Communists.

I told him that the military measures that they were using now would seem very clearly calculated to bring about the very situation which he claimed the Government was endeavoring to avoid. Certainly, if Chiang followed the advice of Marshall and declared a truce the Russians would find it difficult to intervene in a non-existent civil war; whereas a spread of the civil strife might cause the Russians to assist the Chinese Communists.

Dr. Tan, while admitting the impossibility of eliminating Chinese Communists from China by force, seemed to think that they could in some way be immunized in so far as Russia was concerned. He ignored the fact that military action is forcing the Chinese Communists back on the Russians.

I expressed the view that a reduction in the influence of the Communists might be more readily achieved if the Government "took them in" (in more senses than one) on a minority basis rather than try to shoot them all. I felt, and I was sure General Marshall felt, that a National Government moving ahead with American support in the job of rehabilitation and reconstruction would have a better chance to cut the ground out from under the Communists, even though they were in the Government, than it would have of doing so by keeping them out of the Government and endeavoring to eliminate them by force. I reminded him that 15 years intermittent efforts to eliminate them by force when they were receiving no support from Russia had certainly not proved successful.

At this juncture Dr. Tan asked me whether General Marshall's recent reports were optimistic and whether he indicated that he thought the Kuomintang more reasonable than the Communists or vice versa. I told him that General Marshall's reports could not be called optimistic but that they still showed characteristic determination to stick with the problem. I told him that General Marshall felt strongly that Chiang Kai-shek should declare at this time a general truce in order to allow the political discussions in the Stuart Committee to move forward with a view to formation of a State Council and Cabinet, adoption of a Constitution, in line with the Peoples Consultative Conference Resolution of last January, and integration of all armed forces into a National Army in accordance with the agreement of last February.

There ensued some discussion of problems in connection with Communism in eastern Europe. Dr. Tan said that the position of the National Government in China was entirely different from the situation in eastern Europe. He spoke of the ignorance of the Chinese masses, their susceptibility to Communist propaganda, and the unfair methods of the Communist Party. I told him that I could not see that there was any great difference; that I thought the average Chinese peasant was just about as smart as a Rumanian or Hungarian peasant; and that it seemed to me that the main hurdle the Kuomintang had to take was psychological. The Party had had monopolistic control of the Chinese Government for so long that it was scared to death of admitting competition in any form. If the Party showed as much zeal for bringing good government to China as it was showing for eliminating opposition there would be no question but that it could "out-compete" the Communists in gaining support of the Chinese people who did not favor Communism but simply wanted some evidence of government "for the people".

J[OHN] C[ARTER] V[INCENT]

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Marshall Mission Files, Lot 54-D270 : Telegram

*Brigadier General Thomas S. Timberman to Colonel J. Hart Caughey,  
at Nanking*

[PEIPING,] 9 September 1946.

8147. Winter location of school for Communist Party training program is subject Reurad 1289.<sup>50</sup> Study to determine possibility of relocation school for Communist Party forces during winter months indicates that Tsingtao, Lini, and Hsueh, in that order, are suitable from standpoint of weather and facilities. Study is based on following assumptions that: (a) Airlift of the 300 tons of school equipment and supplies majority of which are now in Peiping is impractical and undesirable. (b) Time to repair existing breaks will prohibit use of rail to move supplies. (c) Movement of supplies will be from Peiping to Tangku by railroad and by US Navy to Tsingtao or Laoyao and then by road to Lini or Hsueh unless Tsingtao is selected. No investigation of available shipping has been made. (d) The Communist Party will require 60 days to assemble students. (This is based on a statement made in April by the Communist Party school commandant designate that 60 days would be required to assemble students even if assisted by American airlift). Movement of supplies to any of these possible locations will not require longer than 60 days minimum necessary to assemble students once decision to open school is received.

<sup>50</sup> Dated August 10, not printed.



Tsingtao is recommended as best location from logistical standpoint, Lini is second choice logistically and if Communist Party insists on locating school within Communist Party territory, Lini is only choice.

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893.00/9-1046 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, September 10, 1946—11 a. m.

[Received September 11—3:35 p. m.]

1447. Following message from Tientsin repeated for Dept's information:

"Large scale operation against Communist forces in northeast Hopei is taking place according to Marine Headquarters in which probably 80,000 Nationalist troops belonging four armies and reinforced Sixty-Second Division are being used. Apparently elements these forces are either on perimeter of area or converging toward center. One spearhead is moving eastward along Peiping-Chinwangtao highway and several others moving northward from Tangku-Shanhaikwan railway toward Fengjun and Yutien (probably now occupied) and farther east have occupied Lulung and Funing as in cases of forces which penetrated area south of railway. These armies will probably meet little opposition from Communists. (Reference my 11, September 3<sup>51</sup>)

"Although military operation apparently proceeding according to plan, what it will accomplish is another matter. Possibly because of dispersal and disorganization Communist forces that area, important rail communications will be established temporarily but their continued maintenance in area which cannot be adequately garrisoned or policed by available Nationalist forces may be expected again to become physically impossible. Unless operation provides convincing evidence to reactionaries of futility attempting settle China's internal problems by force of arms, expenditure of money and effort will be wasted.

"Traffic on Tientsin-Shanhaikwan line continues greatly reduced owing derailments nights September 1-2, 2-3, and 6-7."

Sent to Embassy [as] 129.

STUART

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Marshall Mission Files, Lot 54-D270 : Telegram

*Mr. Walter S. Robertson to General Marshall*

[PEIPING,] 10 September 1946.

8259. Team 25 completely blocked in investigation of Anping incident by Communists despite assurances given me by Communist Party

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<sup>51</sup> Not found in Department files.

Commissioner outlined in my 8111.<sup>52</sup> General Huang, Communist Party team member, continues his refusal to permit examination of the two National Government witnesses. Upon motion American member, deadlock was referred to Three Commissioners on 9th September. Commissioners meeting was immediately convened. To our surprise Communist Party Commissioner reversed his former position and took that of General Huang in arguing that the testimony of these witnesses would not establish facts directly related to incident. When section *f* of procedure directive quoted in 8111 was called to his attention he requested adjournment until today in order to have opportunity to study Chinese text with interpreter.

This morning before meeting in private conversation he informed me that his subordinates in meeting last night voted unanimously not to hear the two witnesses and asked my cooperation. I informed him that I appreciated the difficulty of his position, but that the Commissioners after 10 days of argument had agreed upon a procedure directive, clear and unmistakable in its language and I could not go back on that agreement. The Commissioners Meeting this morning lasted for more than 2 hours. Yeh is an intelligent man and aside from his earlier confidences it was apparent from his irrelevant arguments he was indulging in blocking tactics. He first argued that section *f* was no longer necessary as all the witnesses needed for the investigation had been called under *a*, *b*, *c*, *d*, and *e*. It was recalled to his memory that the Communists had at one time expressed the fear that an attempt would be made to close the investigation without giving the Communist Party an opportunity for presenting their witnesses and that section *f* was to insure not only the Communists but all sides that every opportunity would be given to present their cases. He then switched back to the old argument that the testimony of the two witnesses would not have a direct bearing on the incident. The National Government Commissioner then described his witnesses as follows: *a*. A civilian who was proceeding by truck on the main highway in the vicinity of Anping between 8 and 9 o'clock on the morning 29 July 1946. The truck was fired upon and the witness wounded by Communist Party forces in position along the road. His truck was taken away from him and he remained in the immediate vicinity throughout the incident. *b*. The leader of a local Communist irregular militia unit in the vicinity of Anping who acted as a guide for the regular Communist troops in arranging for the ambush. He was subsequently captured on 3 August by National Government troops near Ho Hsi Wu and has been held captive since that time. Yeh finally agreed to allow these witnesses to testify

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<sup>52</sup> September 7, p. 163.

but only on the following conditions: (a) that the civilian owner of the truck be interrogated under the provisions of section *f* and (b), that the captive Communist irregular be interrogated under the provisions of section *g* of the procedure directive. Section *g* reads as follows: "Visit, interrogate and record testimony of National Government unit which Communists allege participated in the conflict and which National Government told [*and*] First Marine Division Commander, Major General Rockey, denied participated in the conflict".

When it was pointed out that this captive was a Communist and not a member of a National Government unit and could not be called under section *g*, Yeh argued for the next hour that section *g* was intended to include all those who participated in conflict and that to hear this witness under section *g* would establish the fact that National Government troops did actually participate in conflict. This makes no sense but is what he said over and over again. It was apparent he felt that if it should be expressly stated that the witness was being called under section *g* it would be a tacit admission by the National Government that the troops who captured him were participating in the conflict and it would furnish good propaganda. The National Government Commissioner strongly objected. When it was apparent that the Communist Party Commissioner would not change his position the only course remaining was to have each Commissioner report the situation to his respective member of the Committee of Three.

It is apparent that the Communists feel that the testimony of these two witnesses would be very damaging to their case and they were looking for any way out which would minimize its effect. However the procedure directive admits but one interpretation as you will note from the copy left with Caughey. I suggest that it be presented to Chou En Lai and he be requested to instruct Communist Branch here to proceed accordingly. If Chou En Lai refuses I recommend that the American member record the testimony and regard it as an addenda to the separate United States member report he will inevitably have to make.

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Marshall Mission Files: Lot 54-D270

*Memorandum by General Marshall to General Chou En-lai*

OSE 424

NANKING, September 10, 1946.

DEAR GENERAL CHOU: I have just returned from Kuling and would like to see you tomorrow, Wednesday morning at 10:30 o'clock if convenient to you. To facilitate the discussion tomorrow I outline below the principal results of my talks with the Generalissimo the past weekend.



1. The Generalissimo agreed to the following:

*a.* The settlement of the military terms for the cessation of hostilities would be by the Committee of Three and not by the State Council, if the Communist Party accepted the proposition that this Committee would carry into effect the agreement for the restoration of Communications, the terms previously arranged for the termination of hostilities and the redistribution of troops in Manchuria, and an agreement for the military reorganization of the armed forces which would stipulate the places where the Communist troops were to be stationed.

*b.* He agreed that the settlement of the question of local governments in Kiangsu would be effected in the State Council.

2. The Generalissimo stated that:

*a.* He wished to see the Constitutional Draft Committee resume its task, and with the evidence of an agreement being reached by the Stuart Group and confirmed by the Steering Committee of the PCC he would reconvene the Draft Committee.

*b.* He stated that before the promulgation of the order for the cessation of hostilities the Communist Party must designate their representatives for the National Assembly.

3. While no statement was made regarding the following matters I gained the impression indicated below:

*a.* That the reorganization of the Executive Yuan would not be undertaken prior to the convening of the National Assembly.

*b.* That the Generalissimo had in mind continuing in governmental military occupation of the places recently occupied in Jehol, etc.

*c.* That, with the agreement to have the local government issue generally, and in Kiangsu in particular, settled by the State Council; and having in mind sub-paragraph *b* above, he felt that practically all of the issues covered by his five demands or stipulations would be automatically taken care of by the Committee of Three.

Faithfully yours,

[GEORGE C. MARSHALL]

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Marshall Mission Files, Lot 54-270

*Minutes of Meeting Between Dr. Stuart and General Marshall at No. 5  
Ning Hai Road, Nanking, September 10, 1946, 7 p. m.*

Also present: Colonel Caughey

General Marshall opened the meeting by stating that he was under the impression that General Chou En Lai was waiting for comments from him regarding his recent visit with the Generalissimo and that, therefore, he had prepared and already dispatched a memorandum (OSE 424—copy of which had already been given to Doctor Stuart also) on this subject.

Dr. Stuart stated that he had read the memorandum. He then informed General Marshall on the present status of Mr. Clubb's proceeding to Harbin.<sup>53</sup> Dr. Stuart said that the Communists at Executive Headquarters had disapproved this, but that General Chou intended to wire Manchuria in order to obtain clearance from the appropriate military authorities.

Dr. Stuart continued by stating that he believed General Chou was in a quandary as to what steps the Communists should next take in the negotiations. General Chou is afraid that if he takes any positive steps the Government will raise new demands, thus forcing him (General Chou) into a corner. Dr. Stuart said that in response to General Chou's question as to what he should do, he advised General Chou that he could do one of three things: 1) Call off the meeting for the Dr. Stuart Group; 2) Go ahead with Dr. Stuart's group; or 3) Wait until General Marshall's return. General Chou accepted the third.

General Marshall said that shortly after his arrival in Kuling, Madam Chiang came to see him and that General Marshall told her that the Generalissimo's generals had a sense of false power because of U. S. equipment which they had received and that in their enthusiasm over little problems such as North Kiangsu, they are putting the U. S. in a very difficult, almost untenable, position in China.

General Marshall stated that he had not seen the Generalissimo until Monday. As a result of the discussion the Generalissimo stated that the question of local administration could be referred to the State Council for resolution. This was probably the most important concession made by the Generalissimo and should, unless the Communists adopt new tactics designed to delay negotiations, permit progress in the current negotiations.

General Marshall told Dr. Stuart that the Generalissimo was upset over current reports which he had received indicating that 600 Communists had recently been dispatched to Russia for the purpose of being trained as pilots. Dr. Stuart said that he had not heard anything about those reports, but mentioned that he had heard of reports indicating that Russian advisors had recently established themselves in the vicinity of Kalgan for the purpose of assisting Chinese Communists in various activities.

A general discussion ensued in which General Marshall and Dr. Stuart agreed to the extreme importance of getting Dr. Stuart's small group into operation.

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<sup>53</sup>Oliver Edmund Clubb, Consul General at Mukden until his appointment July 9 as Consul General at Harbin. For correspondence on this subject, see pp. 1130 ff.

893.00/9-1146 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, September 11, 1946—9 a. m.

[Received 9:39 a. m.]

1451. Following is Shanghai's 956, September 7, repeated for Dept's information:

[“]Lo Lung-chi of Democratic League criticized new sub-committee headed by Ambassador Stuart because (1) Democratic League not represented; (2) it reduces importance of PCC; and (3) it means intervention by US in internal political affairs of China. A news article to this effect appeared in evening edition the *Lien Ho Jih Pao* of September 3, quoting Shen Chun-ju, PCC delegate of Democratic League, doubting the sincerity of the American Govt authorities and accusing them of deluding the public into believing that peace negotiations are underway while the US, following a ‘brutal policy continuing to fan civil war in this country’.

“Lo Lung-chi, in speaking to a member of my staff, quoted General Chou En-lai as saying the functions of the sub-committee were not clear to him and expressing the view that it had been set up to lead American public to believe political negotiations were continuing at time surplus property agreement was made. Mr. Lo stated that the Communists did not like the sub-committee and would endeavor to make changes in it.”

STUART

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Marshall Mission Files: Lot 54-D270

*Minutes of Meeting Between General Marshall and General Chou En-lai at No. 5 Ning Hai Road, Nanking, September 11, 1946, 10:35 a. m.*

Also present: Colonel Caughey  
Captain Soong  
Mr. Chang

GENERAL CHOU: I have received your memorandum (OSE 424). Have you anything more to add?

GENERAL MARSHALL: Nothing that I think of at the moment.

GENERAL CHOU: At the moment I have two questions to ask. First, referring to paragraph 1a. The Generalissimo refers to three things. Namely; the restoration of communications agreement, the redistribution of troops in Manchuria, and the stipulations of the places where Communists troops are to be stationed. I am not very clear whether the Generalissimo refers to the agreements reached in June. As I recall a full agreement has only been reached on the restoration of



Communications but not on the other two matters. Is it the Generalissimo's idea that these stipulations advanced by him at that time should be accepted?

Second, also refers to the settlement of the military terms in the cessation of hostilities. Does he mean that the various agreements just referred to or does he want to have a separate document covering military terms for the cessation of hostilities?

GENERAL MARSHALL: Answering the last first, regarding military terms. As I understood him, he meant first that he was not demanding that the State Council should settle the military terms. He was agreeing to the point you had brought forward that the Committee of Three should settle the military terms. And he was using the expression "terms" in contradistinction to the political matters to be discussed by the State Council.

Now as to the various points mentioned in that paragraph, as I understood him he meant that he agreed to the Committee of Three action with the understanding that it was not merely confined, we will say, to an unconditional termination of hostilities, though he did not use the word "unconditional". But the action was to include the various issues we were discussing in June and to carry them to completion.

I should explain to you that the Generalissimo made no such succinct statement as I have here in this memorandum. He talked in general terms and then I would ask him pointed questions to explain himself. Sometimes I could not understand and sometimes I felt that he did not understand the complications involved in what he was discussing. He would make a certain statement and then I would ask a number of questions about it to make certain I understood and he also understood just what was meant, so that there would be no surprise on my part later on. At times the replies were contradictory and I would have to ask a number of questions in the endeavor to clear up the point. I dictated notes immediately after the talks and then yesterday on the plane, from these scattered notes, I put this memorandum together in the form I thought could best be understood by you. I first stated his agreements on two points. Then I recited certain general statements that he made which could not be characterized as agreements. Then I have gone still further to indicate certain impressions I got which I could not put down as his statements but which were my impressions from a series of prolonged discussions. You should understand that a great deal was said. There would be a discussion of the entire Communist position and the Communist intentions, and why the Government did this and why the Government did that. Then I would ask questions, and finally resolved the statement in my memorandum.

You should also understand that in all of the procedure which has resulted in this statement, I have been struggling to find a way to terminate hostilities. In other words, a basis for agreement. I had considerable difficulty in persuading the Generalissimo to go ahead with the proposition for the Stuart group towards the immediate formation of the State Council. Having succeeded in doing that, I have recently been confronted, or confounded, by the accusations that the Communist Party did not choose to do this. So I have been forced to struggle against that argument. You have explained to me why you have hesitated about going ahead with the Stuart group, and I am aware of your reasons. But the fact remains that I have had that reluctance used against me in my struggle to find a basis for the termination of hostilities because the procedure proposed was not of Government conception or choice.

With further reference to sub-paragraph 1a, I immediately endeavored to clear up in my own mind the Generalissimo's idea about the military reorganization matter. We had reached certain agreements and we had been stopped by certain disagreements, largely the question of local government. Now here apparently we have gotten clear of the issue of local government, at least I assume so, but on my questioning I have indicated in sub-paragraph 3b another complication regarding the military reorganization progress that we had already made in June. That is, the continued Government military occupation of areas recently taken over. So, on the one hand I seem to have cleared away the issue of local government so far as the Committee of Three is concerned, and on the other hand we have this new complication.

One more thing. I have [given] the Generalissimo orally an outline of the various points you had made in your proposed message last Friday. That is how this Committee of Three issue came up. I explained to him the statement Dr. Stuart and I made; that we would support the Communist position if an agreement were reached in the Stuart group and confirmed by the Steering Committee. I also told him the Communists declined to nominate their members for the State Council until hostilities had ceased. But I did not give him a copy of the paper, nor did I read from the paper. Also I did not inform him of my reply to General Chou as to my possible attitude regarding the direct issue of the termination of hostilities.

GENERAL CHOU: I am not clear about Paragraph 3e. In the last part the Generalissimo expressed that he felt that practically all the issues covered by the five demands are or will be automatically taken care of by the Committee of Three. Does that mean that those points will be raised again in the Committee of Three?

GENERAL MARSHALL: This is almost exactly what he said and I did not quite understand it myself. I said to him: "So far as I can see you have indicated an amendment to the five demands by agreeing to the reference of local government question to the State Council." As I recall the following discussion by him was confusing and I gained the impression, which I have indicated here, that he intended to insist on the continued military occupation of the places taken over by recent government operations and that this is probably what he meant by the use of the word "automatically". I do not think I can give a clear explanation regarding that. That is the reason I have put those items under the heading of "impressions" he gave rather than "statements" he made. I might say that during the discussions there were frequent lengthy periods of questions and answers between Madame Chiang, who was interpreting, and himself because she did not understand him; and that often lead to an abandonment of the point under discussion and a new general statement.

I should explain another point. I think sub-paragraph 2*b* should really be 2*a* and 2*a* should be 2*b* for this reason: The Generalissimo stated that before the promulgation of the order for the cessation of hostilities the Communist Party must designate their representatives for the National Assembly. I immediately argued that such a procedure would inevitably prolong the fighting. The fighting would develop entirely beyond Government or Communist Party control by that time, unless, in my opinion, the Constitutional Draft Committee was immediately convened and a basis, in keeping with the PCC agreement, was established as a condition precedent to the organization of the National Assembly. As a result of that discussion he made the statement indicated in 2*a* and for that reason that sub-paragraph really should be 2*b* because it followed the 2*b* statement.

Now whether or not I was right in my assumption that the prompt resumption of work by the Constitutional Draft Committee and the completion of its work was regarded by the Communist Party as a matter of first importance, I do not know, but that was my assumption. I rather gained the impression that the Generalissimo did not agree with me on that; that is, he did not think I estimated the situation clearly from the viewpoint of the Communists. General Chou will know whether or not I did estimate correctly but whether I was right or I was wrong, I insisted that the Constitutional Draft Committee should be promptly brought back to work or there would not be an acceptable basis for the Communists to nominate their delegates to the National Assembly. Is that correct?

GENERAL CHOU: After receiving your memorandum yesterday I made a very careful study and I must say that you have made a great endeavor to go over with the Generalissimo all the points. I have



however the impression that the issue is getting more and more complicated. Also your memorandum has one advantage in that it makes it even more clear what the intention of the Generalissimo is. Previously when we realized that cease fire order could not be obtained because the Generalissimo did not feel secure with the Communists, we made the suggestion that we would first work out a formula for the reorganization of the State Council. This would give the Generalissimo a sense of security and also assure him that the Communist Party is not seeking a national split but instead cooperation. We hoped by such a move to obtain the assurance of a cease fire order. Later on it turned out that was not possible since despite the fact that the State Council may bring results there will still be no guarantee for the assurance of a cease fire order and probably the five point demand will be raised again for discussion. This led to our hesitation to participate in the Stuart group. We again turned to thinking over whether we might put to the Committee of Three the discussion on the assurance of cease fire order so that we might perhaps expedite action. You have in your latest trip just obtained the Generalissimo's answer that discussion can be brought before the Committee of Three but the subject that will be discussed by the Committee of Three is getting more complicated.

At the present time we certainly cannot talk about an unconditional cease fire because there are already many terms imposed. As a matter of fact, even the June discussion was not a discussion on the basis of unconditional truce as many conditions were involved, the overwhelming part of which were brought forth by the Government side. When I was talking about the unconditional cease fire just now, I had in mind that the terms on which agreement has been reached in our June discussion will still hold. Those points on which we disagreed will not be brought up again. Now according to the Generalissimo, not only the agreed points of June will hold but the points which he advocated, but which were not accepted by the Communist Party, should also hold.

Now I estimate the Generalissimo's intention as follows: Of course I do not know whether or not I am right or wrong: It appears to me that the Generalissimo's intention would be, speaking of Manchuria, to permit the Communist troops to withdraw only in places which he has mentioned in his previous conditions, namely the north part of Hei Lung Chiang and Hsin-An and north Nun-chiang and a small region around Yenki. He would certainly oppose the proposal brought forth by the Communist Party; and as to China Proper he would persist in his original condition that the Communists should evacuate North Kiangsu, Tsinan-Tsingtao Railroad, South part of Jehol and such other points, likely all of Wensi and Tun-Hsien.

Should the discussion follow such a line considerable time will be consumed and as a matter of fact the points on which we disagreed previously would all be brought forward by the Government. The Government is adding new conditions to the old ones. I also recall that in the previous discussion the Generalissimo raised the point that the places occupied since June 7th should be restored in a period of seven to ten days. That was the Government proposition at that time and to that was further added that all points occupied since January 13th should also be restored. Now the Government changes this position and raised a new demand to the effect that the places occupied by the Government troops would not be withdrawn but as to whether the Communists would withdraw from areas they have occupied it was still left open. So when the Committee of Three comes to discuss the cessation of hostilities, obviously it will not be an unconditional truce but one with many conditions. Should the Communist Party at this moment bring forth new conditions we may well anticipate that the war will just go on indefinitely. While we are sitting in the meeting the war would be carried on. If we should have, before the meeting is convened, the feeling that it will be useless then that is certainly dangerous.

Now as to sub-paragraph 3c, we are not yet clear as to what the true intention of the Generalissimo is. It seems that he has something of this sort in his mind; that he could at any moment he feels circumstances would require, bring up the five conditions again for discussion. The five conditions, as conveyed to me by Dr. Stuart, involves both the military disposition as well as the local government—particularly the latter because the Government has assumed that the Communists will withdraw troops from those places, then the Government will demand local administration of those places. Therefore, I have the impression that in case the State Council could not resolve the question of local government promptly, the Government will just, on the basis of the impression you have given, bring the whole question of the five conditions—both military and political—to the Committee of Three for discussion.

Speaking about the Committee of Three, it seems that its prospects are also rather complicated. The Generalissimo is always thinking from his point of view—from what is advantageous to himself—and he pays no concern to the purpose of the opposing party. He also explained that his actions are justified and that everything the Communists are doing is wrong, but he never questioned whether the terms he imposed would be acceptable to the Communists or not.

Now I wish to speak about the political affairs. The original proposition we have agreed upon is that we would first have an informal discussion on the reorganization of the Government in order to see

whether we can find some basis of agreement and which will then be conveyed to the other parties and groups. The Steering Committee of the PCC will then be convened to discuss the reorganization of the Government and, of course, the Constitution Draft Committee will also resume its work. This was the procedure we had in mind and there seems no other procedure to follow. This procedure is the procedure of reviving the PCC agreements.

Another matter that we have to resolve is, of course, the cease fire question but I will not refer to that at this moment.

The Generalissimo had asked the Communist Party to designate its representatives to the National Assembly. I believe you are fully aware why that cannot be done and so I will not go further into this to explain it.

Another question is the Generalissimo's intention to defer the reorganization of the Executive Yuan until after the National Assembly. This, however, is not in conformity with the PCC resolutions because the PCC resolutions prescribed that the State Council and the Executive Yuan should practically be reorganized at the same time; that is, through consultation among the various parties and, of course, through the PCC Steering Committee in order to reach an agreement on the nomination of delegates. As a matter of formality the State Council will be ushered in and then the members of the Executive Yuan will be nominated by the State Council. In case the Executive Yuan would not be reorganized until after the National Assembly, then the State Council cannot exercise its proper function. Just take the example of the local governments. The local governments are responsible to the Executive Yuan and if the State Council can merely discuss the matter, but exercise no power over the effecting agency, then the State Council will immediately become powerless in their decisions. This would merely make the situation more complicated. So in the political field, the Generalissimo is also merely thinking about himself and his propositions. He does not pay attention to, and even ignores, the PCC agreements. This would not only meet the opposition of the Communist Party, but the opposition of other parties which abide by the PCC resolutions.

Now speaking of considerations within the Committee of Three and Dr. Stuart's group. Previously we have tackled those two considerations separately. Now we have linked them together. In doing so, we must, however, draw a distinct line between them so we will not confuse one with the other. But it now appears that the two are so much dependent upon each other that I am afraid it is difficult to get results.

Now suppose we called first the Dr. Stuart group with a view to reaching some way of cease firing. But if there is no guarantee that



the cease firing will be ultimately effected, then it is very difficult for me to see how we can enter into the discussion with the Stuart group. There, of course, may be a second procedure that can be followed. We can convene the Committee of Three and the Stuart group at the same time. It seems that it will take considerable time before we could agree to a conditional, not an unconditional, cessation of hostilities. In the meantime the war would still go on and the discussion on the government reorganization by Dr. Stuart's group would certainly be much affected by this delay. If it were certain that cease firing order would be issued a psychological effect would be created. Then I could go ahead with the political concessions. But if the fighting were still going on, it would be difficult to make concessions. This refers not only to the Communist side, but refers to the Government side as well.

Now as you just outlined, the issue of local government will be taken up by the State Council after its organization. The Committee of Three will tackle the military question; that is, the cease firing question alone. So I came to the idea that, since the cease firing is the predominate question, which we are all trying to solve, we should first call the Committee of Three alone to solve the cessation of hostilities. If we could accept the previous agreements without introducing new terms for the issuance of the cease fire order that, of course, would be the most practical solution. But as a matter of fact, I doubt it very much because the Generalissimo has already imposed new terms. In addition, the Government now has the feeling that it may occupy more places. Therefore, they feel they are in a strong enough position to introduce new demands. But since these demands would not be acceptable to us and since we might also bring up counter-proposals, the result will be that there will be no cessation of hostilities. But anyway it can show with whom the responsibility should rest. If we cannot bring about a cessation of hostilities, then the 5 man committee, the Stuart group, will also be of no help.

Now, except for the reorganization of the State Council which will be discussed by the Stuart group, the entire procedure in connection with the political consideration as outlined by the Generalissimo is actually contrary to the PCC agreements; such as in the case of deferring the reorganization of the Executive Yuan or such as the demand for Communist nomination of National Assembly delegates. We may well expect that once the Steering Committee is convened, there will be hot arguments among the parties.

Now I wish to come back once more to sub-paragraph 3c referring to the 5 conditions. It is very ambiguous. But of course we may leave it aside for the time being, just assuming that the political and the military question will be dealt with separately. But here in para-

graph 1b the Generalissimo referred only to the Kiangsu local government, not referring to all the local governments as we have advocated. Now I wish to point this out. Maybe this is merely a technical misunderstanding; maybe not exactly what he meant. But I have stated from the very beginning that the local government question should not be involved in the discussion of cease fire, but rather should be referred to the reorganized State Council.

I still think we may perhaps approach the question by tackling the cease fire first. Otherwise, I am afraid that it will take too much time before we will come back to the cessation of hostilities. It may just be dragged out indefinitely so that the whole negotiation will lose its significance because it would not bring any result.

So in sizing up my impression I have the feeling that it is advisable to immediately convene the Committee of Three and try to find the common ground so that we may reach a basis for the cessation of hostilities. In this way it would also greatly facilitate the proceeding of the Stuart group.

GENERAL MARSHALL: As I understand, you have gone back to the June 30th impasse, which I have been endeavoring to break through. As one method, Dr. Stuart and I proposed the procedure for the organization of the State Council. I see no reason why meetings of the Committee of Three could not be had. But if they are not at least paralleled if not preceded by, an effort to organize the State Council, we are back exactly where we were on June 30, which is a rather hopeless position. I won't endeavor to argue the issue with you. The time factor and the nature of the impasse which I have been endeavoring to clear away are what concern me. It seems to me, judging from what you have just said, that the proposal of Dr. Stuart and myself towards finding an agreement of the organization of the State Council is a futile procedure. I do not now know where to turn.

GENERAL CHOU: With regard to the discussion of the State Council, the differences in the proposals seem more and more clear. The original idea of the Communist Party had been that we hoped, by resolving this issue, we would immediately obtain the cessation of hostilities. That is why we subscribed to the idea of bringing the State Council under discussion. But now the cease fire seems to be a very remote and uncertain thing. That leads me to hesitate with regard to participating in the discussion of State Council. Now of course we get the Generalissimo's agreement that the cessation of hostilities can now be referred to the Committee of Three. But as a matter of fact that has always been the procedure. The real difference now is the cessation of hostilities. Many more terms are now involved and the discussion on State Council also seems to involve more terms; such as the reorganization of National Assembly or the Executive Yuan are

not to be effected before the National Assembly convenes. I find it difficult to convince the other parties because they would say, "Now, by following such a procedure you will neither get to the cessation of hostilities nor to a complete reorganization of the Government in accordance with the original understanding. What is the use of all this negotiation?"

Now when we talked previously about the reorganization of the government, it was all calculated to bring about the cessation of hostilities. When in that discussion it would bring about the reorganization of the Executive Yuan it was merely because we had in mind that that was not within the function of the Stuart group, but rather would be taken up by the Steering Committee. But now it seems to get more and more complicated and the intention of the Generalissimo has become more and more clear.

In my previous discussion with Dr. Stuart with regard to the Stuart group, I had made an outline of possibilities. On the question of reorganization of the State Council itself we can make concessions regardless of whether we will have 10 or 8 candidates in the State Council. Anyway, the Communist candidates plus the Democratic League will still be in the minority and the change of one or two seats will not affect this status. As to the question of the veto power, as far as the joint platform is adhered to, the Kuomintang will have a free hand in dealing with the transactions. The veto power only comes in when the joint platform is jeopardized. Adherence to the joint platform can be done in two ways. Either the Communists plus the Democratic Leaguers will constitute a veto power regardless of how many seats they have, or else work out certain provisions under which the candidates can withdraw from the Government in case the joint platform is infringed upon. Along this line and with the assurance that a cease fire order will be issued, I can immediately take up the matter with the other parties with the hope that the whole question of the State Council can be straightened out in a single meeting. But in case there is no assurance for the issuance of the cease fire order, then I find no way to talk to the other parties and to ask their consensus or to make such concessions. Nor can I make such concessions for my own party. Hot arguments would ensue in the Committee of Three and the meetings would be devoid of positive result. It would merely mislead the public as if there is still hope for peace, but actually the Committee of Three as well as the Stuart group will be conducted without any progress while the fighting developed in greater proportions.

So, in the case of these circumstances, I find it very difficult to tell others whether there is assurances of cessation of hostilities or not. From the statements I have gathered there is no such assurance yet.



If we called the Committee of Three there would still be a hope for cessation of hostilities, though I am very much uncertain about it. But I cannot conceive any other way to proceed. This also is my disposition toward the Stuart group. I do not know whether you have any further comment to make.

GENERAL MARSHALL: I have no further comment to make. I will have these notes sent to Dr. Stuart. It looks as though we are back to June 30 again.

GENERAL CHOU: It is difficult for me to conceive any new means at this moment. It seems to me that too many things are involved in the issue. It is hard for me to give an answer right now as to the best method. There is one point that I would like to get clarified with regard to para 1b with reference to the local government in Kiangsu. Did the Generalissimo mean all the local governments will be put under discussion by the State Council or only North Kiangsu? I would like to get that clarified in order to make a report.

GENERAL MARSHALL: This was my impression. Heretofore, the Generalissimo had insisted that the Kiangsu question would be settled as a military proposition. Now that he (the Generalissimo) agreed to the Kiangsu question being settled by the State Council, the implication is quite clear to me that the entire question of local government would be discussed by the State Council. He had always made the point that those particular places along the railroad, at Antung and south of Chengteh would not be determined by political measures, but by the Government just taking over. He was very specific regarding Kiangsu. That seemed to be the great problem with him. Therefore, the plain implication to me is that he meant all local governments.

GENERAL CHOU: Do you mean that Kiangsu as well as all the other local governments will be settled by the State Council?

GENERAL MARSHALL: That was my impression—certainly Kiangsu.

I have here a memorandum for General Chou stating that a C-54 will be ready to leave at 8 o'clock Friday morning to take 25 passengers to Yenan. It should arrive between 11:30 and 12. It will immediately return. This memorandum describes the plane and its markings and requests assurance that it will not be fired upon.

GENERAL CHOU: Thank you for the provision of a plane.

Did Dr. Stuart speak to you about the Yellow River business?

GENERAL MARSHALL: Yes. I sent word to Mr. Robertson this morning on that.

GENERAL CHOU: Did you suggest a special team?

GENERAL MARSHALL: I sent a message saying they should send two teams. I did not say where to send them from. I read this morning General Hsu's memorandum to you suggesting that a special technical team be sent to work all along the river to reassure you

about control of the flood. I added that to the message, so that Mr. Robertson would have everything. I thought it best not to propose any particular team, but to let Executive Headquarters determine what was the best way to make teams available. I was told that the river had not reached a very high flood stage; that it was well below the dangerous stage.

GENERAL CHOU: Mr. Todd <sup>54</sup> is still awaiting in Shanghai for a reply as to where the teams will be sent out. At that time he will go to Peiping to contact them. Also I will have other matters to take up with Mr. Todd. I hope that as soon as you receive a report from Peiping you will immediately inform Mr. Todd about the arrangements.

GENERAL MARSHALL: As I have indicated already in this memorandum of mine of yesterday to you, I listed some "impressions". I would ask you to be very careful in regard to that, at least at the present time, from the viewpoint of public statements. I am giving you an impression I got and if that becomes immediately a subject of violent press controversy, I think it will hinder and not help obtaining what you actually want. At the same time, I recognize that later on, the Communists may feel compelled to take the issue to the public, but in view of my frankness in giving my personal impressions to you, I would get out of this nothing but embarrassment in what I am trying to do if it immediately becomes a subject of press controversy. I am referring particularly to what I spoke of as "impressions" I had gotten and I am referring particularly to the immediate future—the next few days. I recall the discussions you and I have had regarding your comments on Government statements and I merely say to you that I get exactly the same reaction when I meet the Generalissimo—he speaks about the Communist statements or propaganda. All that, of course, only makes the other side more stubborn and the only ones that profit are the newspapers.

Meeting adjourned.

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and General Yu Ta-wei at No. 5 Ning Hai Road, Nanking, September 11, 1946, 6 p.m.*

Also present: Colonel Caughey

General Yu Ta Wei presented a map of the railroad situation in North China, mentioning the fact that a great many of the previously held Communist sections had reverted to National Control.

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<sup>54</sup> Oliver J. Todd, American engineer and UNRRA adviser to the Yellow River Commission.

General Yu then mentioned that great progress had been made by the National Government in demobilization and reorganization of its forces. Of the 124 Armies consisting of 325 Divisions which the Government had during the war, 59 armies had now been reduced to divisions and reorganized. The remaining 65 armies would be reduced to 31 divisions which added to the 59 divisions would equal the 90 divisions called for in the reorganization plan. In addition to this it would retain 13 Cavalry Brigades. General Yu said that he would furnish General Marshall with a disposition map showing the present location of these forces.

General Yu continued by asking General Marshall what had been the result of his meeting with the Generalissimo. General Marshall told General Yu that the Generalissimo had agreed to permit the discussion of military matters by the Committee of Three and that he had agreed to the settlement of the Kiangsu civil administration problem by the State Council. The Generalissimo stated that the cessation of hostilities would depend upon the submission by the Communists of their candidates for the National Assembly and that the Constitutional Draft Committee should get back to work as soon as the State Council had been reconvened. General Marshall stated that the Generalissimo had also implied that the reorganization of the Executive Yuan would not take place before the convention of the National Assembly and that various areas occupied by Government troops since 13 January and 7 June would not be given up by the Government. General Marshall stated that he had mentioned all this to General Chou because the Generalissimo had given his permission.

General Marshall told General Yu Ta Wei that the negotiations at present have resulted in a stalemate since the reaction on the part of General Chou to this information had not been favorable. General Chou objected to the fact that the Generalissimo stipulated that the cessation of hostilities depended upon the nomination of Communist members to the National Assembly. General Chou objects on the basis that this is an entirely new demand in that it is not in accordance with the resolutions of the PCC.

At this point General Yu stated that he did not understand General Chou's reaction since the submission of lists of candidates appeared to be a very easy matter.

General Marshall explained to General Yu that the Communists were very apprehensive over the good intentions of the Government. They did not want to submit their list until they are sure of the conditions for the formation of the government and the National Assembly, since they did not want to be found in a position of having acceded to the Government's demands and then at a later date accused of not



going through with the complete procedure. General Marshall added that he too felt that General Chou was making a mistake by not going ahead but that General Chou was filled with inhibitions.

General Yu stated that his own personal opinion was that the crux of the entire problem was to attack and resolve the ratio of Communist divisions to National Government divisions. General Yu stated that of the 108 divisions during the first phase of the reorganization plan, 18 were Communist. If arrangements could be made to geographically locate these units the entire problem would be solved. General Marshall pointed out to General Yu that attempts to resolve this problem had in fact led to the present stalemate in that is brought up the five conditions by the Generalissimo and the civil administration problem which thus far had been unresolvable.

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893.00/9-1246 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, September 12, 1946.

[Received September 12—12:47 p. m.]

1474. Minister of Information in press conference September 11 stated that "mere Government order of cease fire won't save situation but if Communists would demonstrate their sincerity and take cooperative attitude, fighting will cease instantly". He said further that the Government does not favor solving Communist problem by force of arms but wishes reconstruction at earliest possible moment. "When great strides are made in this direction, all the hungry hordes under the sway of the Communist Party, military or civilian, will find employment and return to their normal occupations. Once deprived of their mischievous means of disturbance, the Communists will be reinstated as peaceful citizens; it matters not whether some of them still really believe in Marxism or totalitarianism. These ideologies found expression 25 centuries ago in the philosophies of the Chou Dynasty." Minister also warned against negotiations becoming involved in a vicious circle in which one party agrees to terms and the other then puts forth additional demands which in turn provoke others.

Following conference between General Marshall and Chou En-lai after former's return from Kuling, Communist spokesman Wang Ping-nan issued statement to press that Communists would not participate in any negotiation without categorical Government guarantee of cease fire.

STUART

Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Dr. Stuart at  
No. 5 Ning Hai Road, Nanking, September 12, 1946, 7 p.m.*

Also present: Colonel Hutchin

Doctor Stuart stated that the purpose of his visit was to inform General Marshall of the results of his afternoon's conference with General Chou. Little was gained from this conference. It largely resulted in General Chou reiterating previously expressed views with regard to the general situation and the Communist stand in relation thereto.

Doctor Stuart stated that General Chou gave great importance to the item of the reorganization of the Executive Yuan. Chou considers that it must be dealt with at a very early date and taken up with the Steering Committee of the PCC.

When Doctor Stuart asked General Chou En-lai if he would give "to one of us" (General Marshall or Doctor Stuart) a sealed envelope containing the list of Communist names for the State Council, General Chou declined. Doctor Stuart emphasized to Chou that it was his desire to do something soon that would start these negotiations on their way out of their present stalemate.

Dr. Stuart emphasized to General Chou the complete fallacy in the continuation of the fighting. No one would win and, in the last analysis, the people would be hurt the most.

In reply to this General Chou proposed that the Committee of Three meet to settle all military issues.

General Marshall stated that this would, in effect, take us back to our position on 30 June when we stopped negotiations at that time because Chou would not recede and the Government would not recede from their positions. He mentioned General Chou's adoption of a stand at the present time is harmful to the Communists. Probably the Government wants all the time it can get as time is to its advantage.

General Marshall felt that there was not much that could be done during the next two or three days. He could not convene the Committee of Three since the Government Representative would be unable to discuss practically anything and the meeting would therefore be abortive at the start. The last time he convened the Committee of Three, he took all of a month and a half to prepare for a session of three days.

Under the present circumstances, knowing the Generalissimo's views, and knowing how ineffective General Hsu would be, there would not be much point to convening the Committee. If the Committee could have some effective Government Representative, like the Chief of Staff, Chen Cheng, it might be possible to reach some agreement by debate

around the table, but even then he would probably be so restricted by instructions from the Generalissimo that it would be almost impossible.

Dr. Stuart stated that he had been under the impression all along, and he still is, that General Chou En Lai was primarily interested in stopping the fighting.

General Marshall agreed and stated the question "What if we cease our efforts, don't mediate and don't say anything to anybody?"

Dr. Stuart acknowledged that he did imply as much as that in this afternoon's meeting with General Chou but he did not make a categorical statement to this effect because he wished to leave the American Government out altogether.

General Marshall suggested that since reports had it that the Generalissimo would actually get back to Nanking on Sunday that during the intervening period it would be best for American mediators to sit quiet. He felt that Lo Lung Chi had smeared things up effectively by his random talk to the papers which had been animated by the remote hope that he might be able to get a representative on the Committee of Five.

Doctor Stuart agreed that it would probably be a good idea to wait quietly for a few days as he felt that General Chou definitely wanted him and General Marshall to go on with their mediation efforts.

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to President Truman*<sup>55</sup>

[NANKING,] September 13, 1946.

1491. DEAR MR. PRESIDENT: Since my message of Friday, September 6th, 1946, I have been to Kuling, conferred with the Generalissimo and returned to Nanking and conferred with Chou En Lai, also officials of Government. The Generalissimo agreed on several points at issue and made significant statements regarding other phases of the problem. He agreed to contention of Chou En Lai that settlement of military issues should be by Committee of Three and not by State Council where Government majority could dominate, there being special provision for veto action on such questions by less than majority of votes. He stipulated, however, that all matters pertaining to military reorganization and redistribution of troops must be agreed to before cessation of hostilities. He further agreed to leave settlement of the critical local government issue to State Council.

He then stated he would not agree to cessation of hostilities until Communists had nominated their representatives to National Assem-

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<sup>55</sup>Copy transmitted to the Under Secretary of State on September 14 by the War Department.



bly scheduled for November 12th. This, from Communists' point of view, involves completion of work by constitutional draft committee prescribed by PCC Agreement and suspended last April. While I protested against this stipulation involving further delay, I insisted that this committee must immediately be reconvened and he finally agreed to take this action, but only after meetings of special group under Dr. Stuart's chairmanship had reached an agreement on membership and veto provisions for State Council.

He further stated that the provision of the PCC which prescribes that the Executive Yuan, that is the principal organs of Government, be reorganized on a coalition basis prior to the National Assembly would not be carried out prior to meeting of that assembly November 12th. He also stated that the place[s] recently occupied by Government troops would be continued in such occupation though this would be contrary to the cease fire agreement of January 10th last.

Chou En Lai considered that the Generalissimo had now added a new demand to the preceding five demands by stipulating that the cessation of hostilities would be dependent on the nomination of the Communist representatives to the National Assembly. He insisted that the cessation of hostilities should be the condition precedent to all other matters and that the Committee of Three should meet immediately to determine the arrangements for the termination of the fighting and that, unless this was done, he could not go ahead with negotiations for the organization of the State Council. This, in effect, puts us back to the condition of stalemate of June 30th last, since the Committee of Three can make no progress unless the Generalissimo modifies his demands or conditions. I have urged the Generalissimo to terminate the fighting but he is adamant in his views that the Communists must first meet certain conditions for the security of the Government and that they cannot be trusted to do so except under the compulsion of the prospect of Government military successes. For the moment Dr. Stuart and I are stymied and can only suspend efforts while we wait and see if Chou En Lai decides that the Communists are losing ground and had best go ahead with negotiations for the State Council. There are other minor considerations and pressures pertaining to the situation too numerous and involved to discuss by radio. Lack of trust and deep suspicion are the fatal influences at the present time and whatever concessions or agreements are made will be made in spite of them.

I am returning to Kuling today I hope for the last time as the Generalissimo is soon due to resume residence in Nanking which will greatly simplify the physical requirements of my task. Dr. Stuart remains here to seize any opportunity to forward negotiations.

Relief of isolated Marine detachments commence with guards at coal mines on September 15th followed by relief of bridge and other railroad guard detachments.<sup>56</sup>

G. C. MARSHALL

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel J. Hart Caughey to General Marshall, at Kuling*

[NANKING,] 15 September 1946.

1505. Doctor Stuart, after seeing both Government representatives of the Five Man Committee last evening, concluded that the Government representatives would be unwilling to reopen question of membership and veto power in State Council because Gimo's instructions to them are so specific. Government representatives felt that Communist Party would be much better off if Chou En-lai would help the Five Man Committee get started, that even the cease fire order would then become a probability.

Doctor Stuart believes that the one thing the Communists want above all else is the issuance of that cease fire order. With the Government's five conditions dropping further and further into background, Doctor Stuart has decided to recommend to Chou En-lai that the Five Man Committee get started. Doctor Stuart will inform General Chou that the Government representatives continue to urge that the Five Man Committee meet, at which time they can present their instructions but in a way that may lead to better mutual understanding. Doctor Stuart will reiterate to Chou that he wants the Government representatives to hear what General Chou has fully explained as the Communist desires for protection of the PCC resolutions. Doctor Stuart still believes this is the surest and most rapid means leading to the cease fire order. He is sending for Wang Ping Nan and will convey this message through him.

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel J. Hart Caughey to Mr. Walter S. Robertson, at Peiping*

[NANKING,] 15 September 1946.

1506. I have just read an intelligence report prepared by an Assistant Naval Attaché who had a conversation with Wang Ping Nan, Communist spokesman in Nanking. Mister Wang indicated his belief that, although the ambush was participated in and perhaps directed by Communists, it was undertaken at the initiative of the

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<sup>56</sup> For correspondence on this subject, see pp. 848 ff.

Anping area commander and was not directed by Yen-an, and that it has been the source of great embarrassment to the Communists in the present negotiations. This represents a new line in that the Communists have not previously admitted Communist guilt in any way.

Incidentally Wang Ping Nan is a political commissar and most influential advisor to General Chou En-lai.

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Marshall Mission Files, Lot 54-D270

*Memorandum by General Chou En-lai to General Marshall*<sup>57</sup>

MM 145

NANKING, September 15, 1946.

DEAR GENERAL MARSHALL: Since the fruitless June armistice, the Committee of Three has been in adjournment up to this moment. At the time when you declared the adjournment, it was presumed that some other means would be sought in order to break the deadlock and bring about the cessation of hostilities. Nevertheless, the Government, taking advantage of this opportunity, played a delaying tactic towards the negotiation and plunged itself headlong into a large-scale civil war. The meeting of the Committee of Five in early July, the entering of Dr. J. L. Stuart into mediation since mid July, the joint statement of yours and Dr. J. L. Stuart's as of 10 August, and Dr. Stuart's proposition advanced about a month ago for an Informal Group of Five, were all exploited by the Government authorities for dovetailing the talks into the fighting with the view to camouflaging the large-scale war which they had waged. Being solicitous for peace the Chinese Communist Party did not hesitate to recede further ground, and eventually acceded to the proposition of taking up the issue of government reorganization first in the hope of winning a guarantee for cease-firing. However, the Government authorities countered with dilatory tactics. Instead of giving an assurance for cease-firing, they went so far as to declare that the Chinese Communist Party must designate its representatives for the National Assembly before the promulgation of the order for the cessation of hostilities. At the same time, they intimated that the reorganization of the Executive Yuan would not be undertaken prior to the convening of the National Assembly, and that they had in mind continuing in governmental military occupation of the places recently occupied in Jehol, etc. As the matter now stands, the Kuomintang Government not only has no intention of cease-firing and is designing to realize its 5-point demand through continued military drive towards the areas covered by this demand, but also has thrown overboard one by one the procedures prescribed by the PCC resolutions. The foregoing moves

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<sup>57</sup> Copy transmitted by General Marshall on September 18 to General Yu Ta-wei.



best bear out that the Government authorities did violate the Cease Fire Agreement and overthrew the PCC resolutions, the most striking evidence being the grave fact that a nation-wide civil war is there and is still going on.

From 13 January when the Cease Fire Order came into effect till August, the Government forces in violation of that order have moved as many as 180 divisions (or reorganized brigades), threw 206 regular army divisions (or reorganized brigades) with a strength of 1,740,000 men, i. e. 85 percent of its total strength which is 256 divisions (or reorganized brigades) or about 2,060,000 men, into the offensive against the Communist Liberated Area; they made 6,000-odd major and minor assaults, conducted over 300 bombing and strafing raids, and had seized and were continuing in occupation by 7 September of 76 cities thus seized. As a matter of fact, the Nationalist troops are everywhere on the offensive, no matter in Manchuria, North China, Central China or South China. Chengteh city has already fallen. Cities like Kalgan, Hwaiyin and Harbin are being made the immediate objectives of the Nationalist drive. Following the seizure of Chinchow-Chengteh Railroad, the fightings along the Chinese Changchun, Peiping-Kupeikow, Peiping-Suiyuan, Tungpu, Taiyuan-Shihchiachwang, Tsingtao-Tsinan, Lunghai, Tientsin-Pukow, and Peiping-Hankow Railroads also became intensified.

Notwithstanding the Kuomintang Government declares that its field forces have been reorganized, the strength of a present-day division in fact surpasses the actual strength of a former army. Now the Government is turning the demobilization back into a new mobilization. As a result of which, over 60 divisional districts originally established for conscription have been restored. This in fact is tantamount to an increase of more than 60 divisions. Furthermore, in order to meet the war requirement, the Government authorities incorporated large number of puppets and as in the case of Shantung and Shansi even Japanese war prisoners into the Nationalist army, the latter being recruited under false names.

Up to the present moment, not only the January Cease Fire Agreement has been thoroughly destroyed, but also the war situation has become graver than prior to the signing of that agreement, and from the viewpoint of its scale, it is unparalleled in the twenty years' history of the Chinese civil strife.

On the other hand, the vast assistance received by the Kuomintang Government from the United States for prosecuting the civil war is also unequalled in Chinese History. Since the V-J Day, the quantity of supplies which the Kuomintang Government has received under U. S. Lend-lease Bill, even according to official announcement of the U. S. Government, is equal to the amount delivered during wartime,

both being over U. S. \$600,000,000 worth. The actual amount presumably would be still more. Whereas during the anti-Japanese war, the American-equipped Chinese divisions had only been used in the India-Burma campaign and later on once in western Hunan; now nearly all of them are thrown into the offensive against the Communist Liberated Areas. Furthermore, the United States Forces also helped to move these troops by air and sea. As this was found still insufficient, the United States Forces further helped the Government by guarding the railroads, cities, towns as well as seaports and by joining its military operations. On the top of that, during the June armistice, the U. S. Government brought before the Congress a bill of 10-year extension of the lend-lease to China, which could serve no other purpose than to bolster up the war spirit of the Kuomintang Government. Later on, the U. S. Government turned over U. S. \$825,000,000 worth of surplus properties including naval vessels and other equipment to the Kuomintang Government. It might well be questioned as to what an embarrassed position the large-scale assistance and armed intervention on part of the United States Government have placed you and Dr. J. L. Stuart as its envoys plenipotentiary and mediators into. You, in particular as the Chairman of the Committee of Three which is directing the Executive Headquarters, can well be imagined to be on the worst spot. Unless the U. S. Government has no intention to let its envoys plenipotentiary act as true mediators, and would rather leave them open to public criticism, it should weigh the necessity to change its erroneous policy of assisting the prosecution of the civil war by the Kuomintang, withdraw the American Forces in China, freeze the transfer of the surpluses and withhold all aids, so that you and Dr. J. L. Stuart will be in a position to exercise their fair and equitable mediation. Only under such conditions, peace in China will become highly hopeful, and the Sino-American cooperation will receive high benefit under its influence. It is my sincere hope that you would deeply think the matter over.

Since the June armistice, all intricate ways to solve the issue have proved futile and non-instrumental in breaking the deadlock. Instead they were merely exploited by the bellicose elements to gain time, to befog the public opinion, to enlarge the civil war, and to imperil the people. In view of this, I, as the official representative of the Chinese Communist Party with full authority, wish to advance to you, the Chairman of the Committee of Three, a straightforward proposition for the settlement of the issue, i. e. you would immediately convene a meeting of the Committee to discuss the question of cease-firing.

An immediate termination of the civil strife in China is the aspiration of the people throughout China as well as the call in the world. President Harry Truman's statement and the Moscow Communiqué of

the three Foreign Ministers of last December all pointed towards this end. On this basis you were entrusted with the present mission. And on the invitation of both the Kuomintang and the Communist Parties you took up the role as mediator in the negotiation and became the Chairman of the Committee of Three. And it was on the basis of the Cease Fire Agreement between the two parties that the Peiping Executive Headquarters and the Changchung Advanced Section were established and field teams formed. Now that the situation has become so much worsened, the only hope lies in returning to this sole legal cease-fire agency for seeking a truce arrangement and a direct and simple solution. You as the Chairman of the Committee of Three are hereby requested to transmit our view to the Government and to arrange for the meeting of the Committee at the earliest possible moment in order to discuss the issue.

Your reply is eagerly awaited.

[Signature in Chinese]  
(CHOU EN-LAI)

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Marshall Mission Files, Lot 54-D270

*Memorandum by General Chou En-lai to General Marshall*<sup>58</sup>

SM 820

NANKING, September 15, 1946.

DEAR GENERAL MARSHALL: Your mediation in China's internal dispute has been generally acknowledged as a great success during the first three months after your arrival. However, this initial success was not made lasting and your efforts were nullified by the fact, that the Kuomintang Government soon tore the agreements to pieces and carried the war from Manchuria into China proper, which quickly assumed the nature of all-out offensive against all Communist-led Liberated Areas. At present, war has engulfed the whole country, and the negotiation has degenerated into nothing but a camouflage for the ruthless prosecution of war by the Government authorities. In analyzing this grave situation, one cannot fail to draw the conclusion that the one-sided American financial and war and otherwise material assistance to the Kuomintang Government, even viewed singularly, has contributed much to the civil war policy of the Government authorities.

I wish to recall that, as far as is known, since the Sino-Japanese War the U. S. Government has granted to China 14 loans with a total credit of US\$1,314,590,000; this plus other account transfers now leave at the disposal of the Chinese Government a deposit of US\$700,000,000

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<sup>58</sup> Repeated in telegram No. 1526, September 18, for Col. Marshall S. Carter in Washington.



in the United States. In addition to that, according to an A. P. despatch datelined Washington July 21, the U. S. Government has since 1942 under Lend Lease Act delivered to China total of over US\$1,500,000,000 worth of arms and war-supplies, about three fifth of which was made available since the V-J day. During the past twelve months the Kuomintang Government has made ruthless use of these vast resources practically all for supporting its full-fledged civil war and nothing else. Most recently, while the civil war is reaching its pitch, the U. S. Government has concluded with the Kuomintang Government an additional agreement governing the sale of US\$825,000,000 worth of surpluses and equipment, which being tantamount to adding fuel to flame would evoke nothing but agitation and bitter resentment among the Chinese people.

I wish further to draw your attention to the fact that such moves on part of the U. S. Government are inconsistent with its enunciated policy toward China, as was specifically expressed in the following words of President Truman's statement of December 15 last: "United States support will not extend to United States military intervention to influence the course of any Chinese internal strife."

As early as the Chinese Communist Party learned that a negotiation for the sale of the surpluses was underway, it filed a protest on August 23 [26] with you,<sup>59</sup> as representative of the U.S. Government to China, voicing opposition to the sale at this moment and pointing out the serious consequences involved therein. Notwithstanding our protest, the deal was concluded on August 31 [30]. I am therefore again instructed on behalf of the Chinese Communist Party and the 140,000,000 population in the Communist-led Liberated Areas to lodge a formal protest through you to the U. S. Government over this sale and demand that the U. S. Government would freeze up all supplies, shipping etc. covered by this agreement pending a settlement at the time when peace and unity is restored and a coalition government is initiated in China. Seeing that the U. S. Government has time and again declared that it has no other purpose in China than to promote peace and unity between her warring factions, it is our hope that through your exertions this demand would be complied with, so that the war peril would be curtailed and the anxiety of the Chinese people would be quieted down.

Anxiously awaiting your early reply.

With best regards,

[Signature in Chinese]  
(CHOU EN-LAI)

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<sup>59</sup> MM 136, not printed, but see telegram of August 27 from the Consul General at Shanghai, p. 1052.

Marshall Mission Files: Lot 54-D270

*Memorandum by General Chou En-lai to General Marshall*

SM 827

NANKING, September 16, 1946.

MY DEAR GENERAL: Because of some business that requires my attendance, I am called upon to leave for Shanghai to-day. In case there is any matter that you want to communicate to me, please contact my associates Messrs. Liao Cheng-chih and Wang Ping-nan here.

As soon as you have decided to convene the Committee of Three, I will be back on your notice.

Faithfully yours,

[Signature in Chinese]  
(CHOU EN-LAI)

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Marshall Mission Files, Lot 54-D270

*General Marshall's Notes on Conferences With Generalissimo Chiang Kai-shek September 15 and 17 at Kuling*

On the 15th I informed him of the stand Chou En Lai had taken on receipt of the Generalissimo's statements at our previous meeting—(1) Chou's insistence that the cessation of hostilities was of first importance and that the meeting of the Stuart Group must be dependent on that, and (2) That the Generalissimo's statement that hostilities could not be terminated until the Communists had nominated their delegates to the National Assembly in November was but another demand added to the previous five and was intended to delay the peace in order to permit the government forces to carry on their planned campaign. I explained Chou's insistence on an immediate meeting of the Committee of Three.

The Generalissimo in a lengthy discussion stated: (1) That he would agree to the Committee of Three meeting once the Stuart group gave indication of reaching an agreement for the organization of the State Council, and (2) That all the Communists had to do regarding his qualification as to the National Assembly was to publish the list of their delegates. If there was a delay it would be their fault and not that of the government.

On September 17th, today I gave him an outline of Chou En Lai's three memorandums to me of September [15th and] 16th of which I only had at that time a brief radio summary.<sup>60</sup>

He stated that Doctor Stuart's information—which I read to him—that the government delegates for the Stuart Committee had such

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<sup>60</sup> Colonel Caughey in telegram No. 1514, September 16, had reported to General Marshall that "Chou En-lai wound up his affairs in Nanking this afternoon by sending three memorandums to you" and then briefly described SM 820, September 15; MM 145, September 15; and SM 827, September 16.

precise instructions from him that they *could not* discuss the question of number of representatives of each party to comprise the State Council or the question of veto power, was incorrect. He agreed with me that those were the only two, certainly the major questions, to be discussed. He did not agree, however, to their informal discussion before the formal meeting of the Committee but did specifically agree that they would be the principal subjects for the Stuart Committee to discuss and settle. He asked me to comment on the idea of a compromise solution that I had mentioned before—9 Communist delegates, four each from the other two minority parties and 3 non-party members. This I did.

The Generalissimo stated that he was unwilling to have his representative participate in a meeting of the Committee of Three until the Stuart Group had met and made some definite progress.

He was disturbed over a press report that Doctor Stuart had stated that a National Assembly meeting without the Communists would be ineffective or abortive. He stated that the meeting would be held with or without the Communists.

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893.00/9-1746 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, September 17, 1946.

[Received September 16—11 p. m.]

1491. Shanghai press reports September 14 Yen-an broadcast attacking General Marshall on grounds that he "did not oppose the aggravation of China's civil war" and greatest worry now is his inability to cover up American policy creating and aggravating civil war which has resulted in failure of American mediation.

Broadcast went on to say that General Marshall's prestige has now reached its lowest ebb and "the only problem that remains now is whether the United States, which insists on helping Chiang Kai-shek, is willing to end the civil war that it created". Broadcast continues that General Marshall seeing untenability of situation has sidestepped cease fire discussions and reconvoation of PCC which had support of everybody except Generalissimo and "promoted five-man committee as window dressing for Washington".

STUART



Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Brigadier General Thomas S. Timberman,  
at Peiping*

[NANKING,] 17 September 1946.

1518. As the movement of supplies is a less critical factor from standpoint of time than the collection of Communist students for training, I feel that the best plan Reurad 8147 <sup>61</sup> is to wait further development before making a decision on the location of the school. I do not anticipate being able to decide when the school should be opened at least until a termination of hostilities order is agreed to and issued. In the interim I also feel that we will have to retain the secret classification of this program as 1300 <sup>62</sup> indicated.

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Marshall Mission Files, Lot 54-D270

*Notes on Meeting Between General Marshall and Dr. Stuart, Nanking,  
September 17, 1946, 7 p. m.*

Also present: Colonel Hutchin

General Marshall showed to Doctor Stuart his notes of conferences with the Generalissimo of September 15 and 17 at Kuling. While Doctor Stuart read these notes, General Marshall started to read the three memos which were described briefly for him in 1514.<sup>63</sup>

Doctor Stuart stated that he noticed the Generalissimo was disturbed over the press report he supposedly made concerning the National Assembly to the effect that if it met without the Communists, it would be ineffective or abortive. Doctor Stuart said that he of course made no such press statement.

General Marshall replied that he told the Generalissimo that, realizing that, both Doctor Stuart and himself were sometimes quoted when they haven't even seen the press.

Doctor Stuart then gave a résumé of his dealings with the Communist Delegation during General Marshall's absence. Chou En Lai and Wang Ping Nan were insisting on two things: first, assurances from the Government representatives that the Communists can control at least 14 votes in the State Council and second, the early issuance of a cease fire order.

On Sunday morning Wang Ping Nan called again. He was considerably exercised over recent war news, stating that he felt the Communists could not stand up against this all out offensive for very long.

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<sup>61</sup> Dated September 9, p. 165.

<sup>62</sup> Not printed.

<sup>63</sup> See footnote 60, p. 194.

Doctor Stuart pointed out to him that this was all the more reason why the Five Man Committee should meet immediately. He talked to Wang as a friend and he used every argument that he could to urge this initial meeting of the Five Man Committee. He wanted the Government representatives to hear what Chou En Lai had so often said to him and, more than anything else, he wanted Chou to give this concrete evidence that the Communists can and do keep their word. That afternoon Chou went to Shanghai but just before he left, Wang Ping Nan called on Dr. Stuart again. General Marshall had been given the gist of this meeting also, in a message sent to Kuling.

Monday morning Wang Ping Nan came again. In the interim Dr. Stuart had seen the Government representatives who felt they must maintain the same position, which was really the only one they could maintain, that is that the place to discuss all this was in a meeting of the Five Man Committee. Chou En Lai had indicated he was ready to come back when the Committee of Three would meet.

This morning (Tuesday) when Wang came, he said that the Communists wanted, more than anything else, to put an end to this fighting. Wang felt that if General Marshall and Dr. Stuart would say that this Five Man Committee was the road or the way leading to a cessation of hostilities, then he would be willing to call Chou back from Shanghai. Dr. Stuart told Wang Ping Nan that he thought General Marshall's answer would be that the Americans would do everything they could in the course of mediation but, of course, there could be no absolute guarantee.

General Marshall thought that the first thing to do was to rid both Chou's and Wang Ping Nan's minds of any thought that this Five Man Committee was a Government proposition because it wasn't, that he and Doctor Stuart proposed it in order to break a stalemate. The Generalissimo has finally been prevailed upon to settle the Northern Kiangsu issue of local governments in the State Council, which had been the point mainly responsible for the stalemate on June 30th last.

General Chou should realize that he would lose nothing by going into this meeting and he should also realize that Doctor Lo is now wrecking China for his own political purposes. It is entirely probable that American mediation can stop the fighting quite quickly if this Five Man Committee could meet and reach some sort of an agreement.

Another important factor is that the Government representatives should realize that they are expected to discuss the questions of the number of representatives of each party to comprise the State Council and the veto power problem. These two major questions were the only issues that were to be discussed and settled by the Five Man Committee and the Generalissimo confirms this view.

The Generalissimo had asked General Marshall to analyze the

compromise solution General Marshall had mentioned before, i. e., 9 Communist delegates plus 4 from each of the two minority parties and 3 non-Party members. General Marshall thought that this would give them within one vote of a veto power. If the Communists can't win over one man out of the remaining 27, then they probably don't deserve a veto for the particular legislation in question. In that group of non-Communist controlled votes, there is bound to be some liberal minded, free thinker who would not go along in opposition to a bad piece of legislation.

Another thing, Wang should be reminded of in his conviction that the Government is playing the Communist false, [is] that he chooses to forget that the Communist delegation refused to submit a list of divisions within the prescribed three weeks until everything politically was perfect from their point of view. He chooses to forget that the Communist delegation wouldn't list their 10 divisions for the Kalgan setup and that they asked to delay the opening of the Kalgan Training Center until July 1st. The Communists choose to forget that [*their?*] offensive action at Changchun and their inexcusable operations from 9 to 14 June period in Shantung Peninsula. The Communists should be made to remember these acts of theirs that fostered the Government conviction that no confidence could be placed in their agreements.

Dr. Stuart then proposed that he inform Wang Ping Nan tomorrow, Wednesday morning, something to the effect that: "General Marshall and Dr. Stuart advised the meeting of the informal Committee of Five in the confident expectation that this would open the way for a cessation of hostilities. The further negotiations should be concerned with military issues in the Committee of Three. General Marshall and Dr. Stuart will both do everything in their power to end the fighting as soon as possible."

General Marshall thought the statement was all right with the substitution of the word "suggest" for the word "advise" as the point is: it is really General Marshall and Dr. Stuart's own suggestion that there be an informal Committee of Five.

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and General C. P. Lee* <sup>64</sup>  
*at No. 5 Ning Hai Road, Nanking, September 18, 1946, Noon*

Also present: Captain Soong

General Marshall said he did not quite understand why the Communists are delaying the Dr. Stuart committee. The Communist Party

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<sup>64</sup> Maj. Gen. Chen-pien Lee, Director of the Serum Institute of the Chinese Ministry of Defense.



had insisted on a cessation of hostilities but now would not go ahead with a formula, proposed by General Marshall and Dr. Stuart, which seems to be the only procedure which might lead to that end at the present time. General Marshall suspected that great complications in the present situation were being added by the Democratic League. Heretofore the Democratic League followed the Communist Party, which was the only hope for it to gain power. Now Dr. Lo is fearful of losing power and the Communist Party is fearful that it may lose cooperation of the Democratic League in relation to the veto power in the State Council.

General Chou wants the Committee of Three to meet. But the Generalissimo has not authorized his representatives to attend. General Marshall also expressed that there is no purpose for the Committee of Three to meet at the present time because no agreement could possibly be reached.

General Lee stated that the reason the Communists are delaying is possibly that, after 5 months' time, they might have a better chance to win. During the past few months they have annihilated 1/5 of the total Government troops. They have also captured enough American ammunition and equipment from the Government troops to organize 18 divisions. They further believe that if the war continues they can capture even more. General Marshall then commented that the Government's military campaign is more successful than he had anticipated. However he is afraid that this may cause fighting in Manchuria, and then there would be a total civil war.

General Lee then stated that the Government would go ahead with the coalition government even if the Communist Party would not join. The New China Party and certain elements in the Democratic League will participate in forming the coalition government. On the other hand the Communist Party could also have its own assembly. However the Chinese people think that the chance for peace after the capture of Kalgan by the Government would be greater because they believe that the Soviet Government then would exert pressure on the Chinese Communist Party for peace for fear of losing more territory.

General Marshall asked why the Communists are willing to lose so much rather than participate in Dr. Stuart's group. To this General Lee replied that the Communists thought although they are losing cities they are not losing strength. They felt that the Government does not have enough troops to defend all the places. The Communist troops will attack the weak points. General Marshall expressed doubts however whether the Communists could afford to lose so many big and rich cities. General Marshall added that the Communists were probably deceived by their own propaganda.

General Lee then submitted to General Marshall a memorandum <sup>65</sup> (attached) in which a committee was suggested to discuss the necessary preparations for either the success or the failure of the peace negotiations. General Marshall commented that it would be better if a group of non-party people could be organized to discuss the various points in the memorandum. He asked who would head the committee. General Lee suggested Dr. Wu I-Feng.<sup>66</sup> General Marshall agreed to the choice but asked what others are qualified. General Lee then suggested a list of names, including Mr. Peng, banker in Nanking; Mr. Huang, a member of the Democratic League and well known in China; General Li Chieh-sheng, former Governor of Kwangtung; Dr. Hwang, vice Minister of Education; Dr. Hu Shih, former Chinese Ambassador to the United States; and Mr. Hu Lin, editor of the *Ta Kung Pao*.

General Marshall doubted the practicability of participation on this committee by Government officials, because it might prove to be prejudicial to their positions. He agreed that Mr. Hu Lin, the editor of the *Ta Kung Pao* is an exceptionally qualified person.

General Lee stated that his sole interest was to increase the efficiency of the Government, no matter who is in the Government. General Marshall commented that all improvements in a one party government are superficial and that the only efficiency of democracy is developed from the pressure exerted on the party in power by another minority party. Every government would deteriorate if it were controlled by one party only. General Marshall further stated that the main trouble in China now is the lack of opposition from a strong and powerful minority party.

General Lee further suggested Mister Li Lih Shan <sup>67</sup> also be considered to head this proposed committee. Mister Li was a bitter enemy of Chairman Mao, but now is working in Manchuria. He returned from Russia recently, possibly for two purposes; one, he may have some verbal understanding with the Soviet to establish peace in China, and two, if war should develop and the Communist Party should lose, Mister Li still could hold part of Manchuria in favor of the Russian Government. However, General Lee expressed the opinion that Mister Li had been away from China too long and therefore, at the present time, Chairman Mao is much more influential among the Chinese Communists.

General Marshall then stated that he would take up this proposal with Doctor Stuart.

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<sup>65</sup> *Infra*.

<sup>66</sup> Miss Wu Yi-fang, member of the Presidium of the People's Political Council and president of Ginling College at Nanking.

<sup>67</sup> Li Li-san, a founder of the Chinese Communist Party in 1921.

Marshall Mission Files, Lot 54-D270

*Memorandum by General C. P. Lee to General Marshall*<sup>68</sup>

[NANKING, September 18, 1946.]

A PROPOSAL TO MAKE NECESSARY PREPARATION FOR EITHER THE  
SUCCESS OR THE FAILURE OF THE PEACE NEGOTIATION

The effort made by General Marshall and Dr. Stuart in mediating the peace negotiation is greatly appreciated by the Chinese people. But in case the peace is not going to come as we expected, what shall we do? It is therefore now suggested to have a simple organization to study the various factors in the nearest future. For instance, if the coalition government will be formed in 1946, what will be our plan? In case the formation will be delayed to 1947 or later, what modification will be in the plan? Or in case the war will take the place of peace, what shall we do to render the greatest assistance to the Chinese people? Shall we try to get contact with various leaders so as to secure their help? If a few persons will work out a certain kind of plan along the above lines for General Marshall and Dr. Stuart's reference, it may serve an useful purpose.

The following questions are offered by the way of suggestion:

What constructive measures are possible, even under the present disturbed conditions, to help China?

For example, can the relief organizations (UNRRA, CNRRA,<sup>69</sup> American Advisory Committee, etc.) do anything more than they are now doing to aid the people?

Whether the formation of a political advisory group, like the military advisory group, will be helpful?

What can be done to strengthen democratic public opinion in the country?

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893.00/9-1846

*The Ambassador in China (Stuart) to the Secretary of State*

No. 139

NANKING, September 18, 1946.

[Received October 11.]

SIR: I have the honor to refer to my despatch no. 76 of August 30, 1946 and to state that there is now less prospect than ever of immediate cessation of hostilities between the Chinese Government and the Communists.

In my previous despatch I expressed the hope that the informal committee referred to in that and the preceding despatch (no. 33,

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<sup>68</sup> Handed on September 18 by General C. P. Lee to General Marshall.

<sup>69</sup> United Nations Relief and Rehabilitation Administration and Chinese National Relief and Rehabilitation Administration, respectively.



August 7, 1946<sup>70</sup>) might meet on September 2. General Chou En-lai had assured me again on August 29 that he and his associate would be prepared to participate. But later he maintained that he had been seriously perturbed by at least four published statements on the subject by Government officials, by the signing of our Surplus Property Agreement,<sup>71</sup> and by other—to him—menacing developments.

On September 5 a conference with him of some three hours duration, at which General Marshall and I were both present, seemed to mark the end of our efforts to break the deadlock, when, as we were about to adjourn, he saw new significance in a remark one of us made. He thereupon proposed that he draft a message to Yenan asking for fresh instructions and secure our approval of it the next day. This led to another session with him when after certain alterations we authorized his message (Embassy's telegram no. 1432, September 6, 1946).

General Marshall left the same day for Kuling and on September 10 returned with a memorandum of his latest discussion with President Chiang when—not without much effort—he secured some modifications of the terms which would lead to the cease-firing order. While these terms were slightly less severe in some respects and were in others automatically settled by Nationalist military gains, yet in certain matters they seemed to General Chou to take the form of additional demands. After going over these points at length with General Marshall he had another long session with me in which I began by advising him with all the persuasiveness I could to meet with the informal committee as he had originally promised to do, assuring him that then—and only then—we would be able effectively to urge the Government to speed up the cease-firing order which he so obviously sought. He argued with his usual lucidity and force as to why he could not and should not be asked to do so and even if he did so he would then have no guarantee that the fighting would stop. He made the counterproposal that General Marshall's Three-Man Committee meet and deal with military issues leading to the cease-firing order. General Marshall saw no advantage in resuming the futile discussions which had previously dragged on for months and ended in June.

On September 13 I replied, therefore, that we both felt that we were not so much rejecting his proposal as reminding him of ours to the effect that the political approach should precede and be the occasion for resuming military consultations and that we would be ready to advise with him further or assist otherwise to the best of our ability whenever he wished us to. I solemnly warned him that the fate of

<sup>70</sup> Vol. ix, p. 1465.

<sup>71</sup> Signed at Shanghai, August 30, 1946; for correspondence, see pp. 1033 ff.

his country was in a sense depending on his decision. Promptly that afternoon his representative returned to arrange another interview for the next morning which implied that there was a glimmer of hope that the negotiations might be renewed.

On September 14 Mr. Wang Ping-nan came again to see me on behalf of Chou En-lai and was obviously very much excited by the elaborate plans of the Government for an all-out military offensive. He enlarged on the disastrous consequences to the Communists if these operations were to be carried out. He also had much to say about the added sufferings of the population and the earnest desire of his Party to avert these. In reply I urged again the meeting of the informal committee, pointing out that even though it failed to secure agreement as to the questions of membership and veto for the State Council it might at least prove to the Government the good faith of the Communists, it would enable General Marshall and me to renew our efforts to end hostilities, and would provide an opportunity for friendly discussion of the points at issue in which atmosphere all the Communist contentions might be presented. I added that if there were any hesitancy about accepting the invitation to meet in my home, General Chou might allow us to come to his and discuss these matters as his guests. When Mr. Wang raised the question of possible changes in American policy, I assured him that there were none as yet and at least for the immediate future we two envoys had full authority. I added that if he feared some trap of the Generalissimo's, we, in urging this course, were officially taking the responsibility of protecting his group. He once more asked me to secure in advance an assurance from the two Government representatives that they would agree to a "Communist-controlled membership" of fourteen on the State Council in order to give them the veto in any motion for altering the P.C.C. resolutions (see my despatch no. 76). I had, of course, been keeping these two men informed of developments and had already reported their attitude to the effect that it was to discuss these very issues that the committee had been created and that a promise extracted from them in advance rendered its existence unnecessary. I did, however, request them to come to see me and found them as firm but also as reasonable as on previous occasions.

General Chou meanwhile has gone to Shanghai, but before doing so assured us that he would return here as soon as the promise of fourteen votes would accomplish the original purpose of my committee and thus lead on to General Marshall's original Three-Man Committee for discussing military issues. Before his departure he sent General Marshall a formal request for calling the Three-Man Committee regardless of any preliminary steps and two other rather lengthy communications—one on the immediate ending of hostilities and the other

on the inequity of American aid to the Government military activities by the Surplus Property transfer, et cetera.

On September 17 Mr. Wang came again to learn the latest reply from the two Government members of my committee and once more I patiently explained why if only from the standpoint of Communist welfare they should take advantage of our mediatorial efforts by meeting with this committee. Finally, he seemed to agree to this if he could be assured that General Marshall would support me in the assertion that we felt confident this would open the way to the desired cease-firing order. I reminded him that, while we could give no guarantee either as to dates or details of procedure, yet this was the only means for obtaining a negotiated peace and we believed it to be a hopeful one. General Marshall returned that afternoon from Kuling and upon his arrival he confirmed my statements. The next morning I reported this to Mr. Wang who promised to communicate with General Chou in Shanghai about his return to take part in the Five-Man Committee on this basis.

These repeated conferences and those referred to in my previous despatches give some idea of the amount of time and effort we have spent in attempting to induce the Government, and more recently and to a far greater extent the Communists, to be more conciliatory. During this period it has been apparent that the latter have been primarily concerned with ending the civil war. Their arguments and their prerequisites for joining the Committee of Five have varied but not their emphasis on this. On the other hand, despite their worsening military outlook within the past few days, they have been steadily insistent on the protection of the P. C. C. resolutions in the State Council, on the revision of the draft constitution, and on their purpose to participate in a coalition government as the precursor of a democratic structure with a nationalized army. Are these dilatory and often contradictory tactics due therefore chiefly to distrust and suspicious fears stemming from long experience and an instinct for survival, or are they one more instance of a Soviet-trained and inspired technique by which they seek a temporary armistice until they can prepare for a renewal of the struggle for supremacy by armed force? I have thus far inclined to the former theory and do not as yet see any convincing evidence to the contrary, but the latter cannot be too lightly dismissed. Perhaps there is something of both in their strategy; they are ready to join cautiously in a democratic experiment, looking forward meanwhile to the seizure of power in a Communist regimentation of the country as their ultimate objective.

In any case, the Government leaders cannot be too severely criticized for their own misgivings as to Communist sincerity or the possibility of mutual cooperation in view not only of the conflicting ideologies,



but even more the long rankling antagonisms, the deep-seated suspicions, and the lust for power on both sides. That the Government intends to end the period of "party tutelage" and to hold the National Assembly on November 12 for adopting a democratic constitution with or without Communist participation, can most probably be assumed. The Government also recognizes the need of radical reforms and is making plans to this end, but there will not be the same grim determination to effect these as is now revealed in fighting their traditional enemies. It is in this perhaps that our country can help most by a friendly but firm insistence.

For the immediate present our course of action would seem to be to encourage both groups, especially now the Communists, to take the prescribed steps leading to constitutional government, and to assist in every way possible; then to urge, especially upon the Government, that hostilities be brought to an end. We are trying to guard particularly against giving the Communist representatives any pretext for alleging that we or the Government have put an end to efforts at negotiation. We are keeping silent in regard to the ungenerous, rudely abusive and largely untrue propaganda from Yen-an and even from their headquarters in Nanking, while we continue to exert ourselves on their behalf in their increasingly serious predicament.

Respectfully yours,

J. LEIGHTON STUART

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Marshall Mission Files, Lot 54-D270

*Memorandum by the Director of the Office of Far Eastern Affairs  
(Vincent) to the Acting Secretary of State*<sup>72</sup>

[WASHINGTON,] September 18, 1946.

MR. CLAYTON: At the meeting of the three Secretaries this morning I am told that Mr. Forrestal<sup>73</sup> is going to ask you "how General Marshall is getting along in China".

I can think of no better way to answer the question than to let General Marshall speak for himself; that is, I would suggest that you read all of or excerpts from General Marshall's last message to you and the President.<sup>74</sup>

It is obvious that the General is not getting along any too fast but it is also obvious that he has no intention of getting out. As gloomy as the situation looks I'd still rather have my money on Marshall than in the stock market.

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<sup>72</sup> William C. Clayton, Under Secretary of State for Economic Affairs.

<sup>73</sup> James Forrestal, Secretary of the Navy.

<sup>74</sup> Telegram No. 1491, September 13, p. 186.

You may recall that in my conversation with Ambassador Koo and Minister-Counselor Tan (copies of the memoranda have gone to the White House) I have stressed the fact that, while we have no intention of becoming embroiled in China's civil war, we certainly have no intention of "washing our hands" of the China problem. I attach copies of those memoranda in case you want to refer to them.<sup>75</sup>

The very presence of General Marshall in China, irrespective of the progress being made in negotiations, is a moderating, if not stabilizing, influence. What he can't accomplish today he may be able to accomplish tomorrow or next month. A period of civil strife may act to discredit the extremists on both sides and bring wiser counsels to the fore, making it possible for General Marshall to proceed with his program. I do not now believe that either of the alternatives—getting out of China or giving all-out support to Chiang, which would inevitably involve us in a civil war—is preferable to a continuation by General Marshall of his efforts, even though the present outlook is not bright.<sup>76</sup>

J[OHN] C[ARTER] VINCENT

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and General Yu Ta-wei at No. 5 Ning Hai Road, Nanking, September 19, 1946, 10 a.m.*

Also present: Colonel Caughey

General Yu Ta Wei said that Mr. Liao,<sup>77</sup> Communist spokesman, had stated that General Chou would not come back to Nanking until the Committee of Three met. General Marshall stated that he had been informed of this same thing by General Chou in a personal letter from General Chou.

General Yu asked General Marshall about his meetings with the Generalissimo in Kuling last weekend. General Marshall stated that while he was in Kuling, Doctor Stuart talked to the Government representatives of the informal Five Man Committee with reference to the veto power in the State Council. Dr. Stuart then referred the matter to General Marshall in Kuling since the Government representatives had told Doctor Stuart that as they were under strict in-

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<sup>75</sup> Mr. Vincent's memoranda of August 13 and September 9, pp. 23 and 163, respectively.

<sup>76</sup> At the 10:30 a. m. meeting of the Secretaries of State, War, and Navy, in response to Mr. Forrestal's anticipated question, Mr. Clayton read General Marshall's telegram No. 1491 of September 13 to President Truman (p. 186) and then delivered the gist of Mr. Vincent's thinking as set forth in the last paragraph of this memorandum.

<sup>77</sup> Liao Cheng-chih, member of the Chinese Communist Party delegation office at Nanking.

structions by the Generalissimo, they were not to negotiate regarding these questions. General Marshall stated that the Generalissimo had said, when he was informed of this, that he had no objection to "membership" and "veto" questions concerning the State Council being discussed by his representatives on the Five Man Committee, providing that discussion took place in formal meetings and not informally as had been attempted through Dr. Stuart by Chou En Lai.

General Marshall then stated that it was his opinion that Communists wanted to avoid meeting with the Five Man Committee so that they could not later be accused of obstructing efforts to reorganize the government if the Five Man Committee made no progress. On the other hand they are anxious to participate in the Committee of Three in order that hostilities will first be terminated by virtue of which they are more likely to be assured of a satisfactory State Council organization. General Marshall continued by stating that he believed the Communists, by this attitude, are manoeuvring themselves into a bad position since in the meantime Government forces are making substantial advances in Jehol and North Kiangsu Provinces. In other words, the Communists may soon find themselves in a position of having actually accepted the Generalissimo's five conditions by losses in campaigns.

General Marshall asked General Yu Ta Wei what was the military situation along the Tsingtao-Tsinan railroad. General Yu Ta Wei said that only 80 kilometers, extending westward from Kaomi, are now in the hands of the Communists. He continued by stating that in North Kiangsu Government forces had now captured Suchien, Huaiyin, and [were] in a favorable position for the early capture of Tungtai; in Shansi Province the Communists still had the upper hand; Government forces have completed the occupation of Chengteh in Jehol Province and were mopping up in that province to the south.

General Yu Ta Wei stated that he had seen an account in the Shanghai papers which indicated that the United States intended to suspend delivery of surplus property and added that he did not believe it. General Marshall replied that he knew nothing of such a procedure and was sure that if the news item originated in China that they were not founded on fact; he added that this was probably another case of the Communists beginning to believe their own propaganda. While on this subject, General Marshall pointed out that much of Minister Peng's press announcements were so provocative as to appear in bad taste, particularly as those statements might affect the outside world.

Returning to his discussions with the Generalissimo over the weekend, General Marshall said that the Generalissimo very frankly stated that conclusion of the "termination of hostilities" agreements was his



last trump card in forcing the Communists to designate their delegates for the National Assembly. Since the Communists consider this as a sixth condition to the five already announced by the Generalissimo, they are using the same argument to press for the more immediate issue, as they see it, of getting the fighting stopped. General Marshall pointed out that it was a game where the Communists are pressing for a cessation of hostilities to free their hands for the political negotiations while the Generalissimo is trading on the continuance of hostilities to insure a full delegation for the National Assembly.

General Yu Ta Wei mentioned that Doctor Soong had told him that delivery of certain Lend Lease air force equipment earmarked for China had been suspended. General Yu Ta Wei said he told Doctor T. V. Soong that there was no hope of getting this equipment except possibly a few spare parts. In this connection, General Yu Ta Wei asked General Marshall about the refusal of the State Department to grant export license for 7.92 ammunition. General Marshall stated that he had confirmed that the announced policy had been issued on a high level (whereas General Yu Ta Wei had previously indicated the belief that it was a low level decision). General Marshall added that he was investigating the status of the 7.92 ammunition since there was some question raised as to its availability in the United States.

General Yu Ta Wei terminated the meeting by stating that Doctor Soong told him the Generalissimo would probably not be back to Nanking until the end of the month and that in the meantime there was nothing he could do for General Marshall.

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Marshall Mission Files, Lot 54-D270

*Memorandum by General Marshall to General Chou En-lai*

OSE 446

NANKING, September 19, 1946.

DEAR GENERAL CHOU: Dr. Stuart has informed me that he learns through Dr. Wang Ping Nan that you desire a formal written acknowledgement to your memorandum to me of September 15th<sup>78</sup> in which you request me as Chairman of the Committee of Three to transnit to the National Government the view of the Communist Party of the situation as expressed in this memorandum, and to arrange for a meeting of the Committee of Three at the earliest possible moment.

I have transmitted to the National Government in Nanking a copy of your memorandum. Further when advised at Kuling by radio of your desire regarding Committee of Three meeting I took your pro-

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<sup>78</sup> MM 145, p. 189.

posals to the Generalissimo and was informed by him that he would not authorize the attendance of the Government member of the Committee of Three at such a meeting until there had been a meeting of the informal five man committee headed by Doctor Stuart, and some progress had been made towards an agreement for the organization of the State Council.

Doctor Stuart, I believe, had previously conveyed this information to Mister Wang Ping Nan.

Faithfully yours,

[GEORGE C. MARSHALL]

893.00/9-1946 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, September 19, 1946.

[Received September 20—7:30 a. m.]

1502. In a press conference September 17 Communist spokesman Wang Ping-nan in Nanking stated that unless Govt complies with Communist request for resumption of Committee of Three conversations there will be no reason for conversations and hence no necessity for General Chou En-lai to return to Nanking from Shanghai.

Wang denied Communists were receiving any Soviet aid or would accept it at any time in the future. He stated Communist prerequisite now is cease fire agreement, that Govt cannot win due to lack of Kuomintang army morale and economic conditions and that Govt is now determined to force a military solution if possible.

STUART

893.011/9-1946

*The Consul General at Shanghai (Davis) to the Secretary of State*

No. 308

SHANGHAI, September 19, 1946.

[Received October 31.]

SIR: I have the honor to enclose for the information of the Department a copy of the latest translation of a draft constitution for the Republic of China.<sup>79</sup> This draft constitution has not been published in China in either Chinese or English. It was presented to an officer of this Consulate General in the strictest confidence. Copies of this translation with only minor differences were forwarded recently to General Marshall and Ambassador Stuart in Nanking.

This draft constitution was started in the Constitutional Committee of the Political Consultative Council (PCC) over six months ago.

<sup>79</sup> Not printed.

Representatives of the principal and minor parties, as well as non-party elements, participated in the work of this committee. They intended to present the draft constitution, upon its completion, to the Political Consultative Council and then the National Assembly.

With the suspension of activities of the Political Consultative Council, the Kuomintang and Kungchangtang (Chinese Communist Party) representatives abstained from working officially on the draft constitution. For fear that the Kuomintang might utilize this draft constitution in a National Assembly in which the other parties lacked adequate representation, the Chinese Communist delegates made it known that they considered this draft constitution only as minutes for guidance, not as a *project* for presentation to the National Assembly.

The delegates of the Democratic League, Third Party, and other minor parties and the non-party members completed the draft constitution, of which the enclosed document is a translation. It will be kept in readiness for further discussion among the political parties and non-party elements and, with or without modification, for presentation to the National Assembly if and when it meets.

A representative of the Democratic League informed an officer of this Consulate General that there is wide agreement among the major and minor parties and other elements on the substance of this draft constitution. He stated that the Kuomintang delegates objected to the power conferred on the Legislative Yuan vis-à-vis the Executive Yuan. The Kuomintang delegates appeared to favor a stronger, more autonomous Executive Yuan. He also stated that the Chinese Communists had no major objections to this draft constitution.

Respectfully yours,

MONNETT B. DAVIS

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Marshall Mission Files, Lot 54-D270

*Notes on Meeting Between General Marshall and Dr. Stuart at No. 5 Ning Hai Road, Nanking, September 20, 1946, 10:45 a.m.*

Also present: Colonel Caughey

General Marshall showed Dr. Stuart a copy of a memorandum (OSE 446<sup>80</sup>) which he had written to General Chou En Lai in response to Mr. Wang Ping Nan's request for a written reply to General Chou's memorandum concerning the early meeting of the Committee of Three. General Marshall said he could only guess at exactly what Mr. Wang wanted, although he suspected it was for use in the press, therefore he was careful in wording the memorandum to avoid its being used by the Communists to indicate that he, or Dr. Stuart, was delaying negotiations.

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<sup>80</sup> September 19, p. 208.



Dr. Stuart told General Marshall of General Chou En Lai's press release in Shanghai <sup>81</sup> wherein General Chou stated that if the Committee of Three wasn't convened he would publish the minutes of the past meetings. Dr. Stuart stated that he did not understand why General Chou adopted this attitude. General Marshall stated that he thought that this action, if it transpires, would be an attempt by General Chou to place the blame for failure of negotiations on the Government.

Dr. Stuart reported that he had sent Mr. Philip Fugh to see Mr. Wang to urge that General Chou come back from Shanghai as soon as possible to continue negotiations.

With respect to the overall situation, General Marshall stated that it was largely a game of "bluff" at the present time with each side attempting to force the other into an unfavorable position. General Marshall added that the Communists probably had an ulterior motive and that this is one of the reasons for their recent type of publicity. General Marshall stated that he felt the Communists believed this to be the way to obtain a cessation of hostilities.

Continuing the discussion with reference to publicity, General Marshall said that General Chou evidently is endeavoring to give the impression that he and Dr. Stuart are aligned with the Kuomintang. Their recent press accounts concerning lend-lease, surplus property, U. S. policy, etc., are for this purpose as well as to exert pressure on U. S. to force the Government's hand. Dr. Stuart said that it is also possible that this publicity is leading up to an appeal to the United Nations. General Marshall agreed and added that the Communists may be trying to squeeze him out of negotiations and at the same time obtain Russian backing.

Dr. Stuart told General Marshall that the Democratic League had begun to break up and that Carson Chang was now starting a new party. General Marshall replied that this may have been the reason General Chou went to Shanghai.

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893.00/9-2146 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, September 21, 1946.

[Received September 21—3:45 a. m.]

1515. In interview with Associated Press, General Chou En Lai in Shanghai September 19 announced he has walked out of negotiations with American and Kuomintang representatives breaking off what he termed "senseless" discussions which are designed to "camouflage

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<sup>81</sup> See telegram No. 1515, September 21, from the Ambassador in China, *infra*.

the true civil war situation in China and to black out the truth from the American and Chinese publics". Chou further announced he would not return to Nanking unless Gmo<sup>82</sup> agrees to reconvene Military Committee of Three. He also declared that, as result of American policy in China, the military situation has "now reached the full stature of nation wide civil war" and reaffirmed Communist determination to fight on no matter how much assistance US Government gives Kuomintang.

Chou also charged that American program of dumping surplus war materials has destroyed Chinese industry and small handicraft and also damages enterprise of established American businessmen by lowering purchasing power of Chinese people. "American ideas of turning China into anti-Soviet base and into market for American commodities and investment has been rendered impractical by the misguided policies of American warlike elements." Chou expressed his conviction that despite American and Kuomintang assumptions of a Soviet-American war there is no prospect of such war because neither American nor Russian people want it. A third war "will inevitably lead to revival of Japanese imperialism and its penetration into China rather than a victory for Kuomintang."

Full text by airmail despatch.<sup>83</sup>

Chou is also alleged to have said that unless action is taken soon to clarify situation he will publish the record.

STUART

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Marshall Mission Files, Lot 54-D270

*Memorandum by General Chou En-lai to General Marshall*

SHANGHAI, September 21, [19]46.

MY DEAR GENERAL MARSHALL: Your memo OSE 446 dated September 19 has been received.

The extremely serious situation at this moment, as I see, has gone far beyond the scope that it can be resolved by a discussion on government reorganization or any other similar procedure. Instead, the key to it rests with cease firing—a prompt and immediate cease firing. Inasmuch as the sole legal agency handling cease firing matters is the Committee of Three, you as its chairman are therefore called upon to hold joint discussion with the two Chinese parties on this paramount and most urgent problem, no matter what their respective views will be.

I wish to recall that it was largely due to your assuming the chair-

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<sup>82</sup> Generalissimo Chiang Kai-shek.

<sup>83</sup> Not printed.

manship of the Committee of Three in early January, that the cease fire agreement was concluded, and that the Executive Headquarters in Peiping and the various field teams became established, which in turn secured the implementation of that agreement, and ushered in the incipient rays of peace to China proper. It was due to the same event, that the prospect was opened for the fulfillment of the primary part of your mission in China. Again it was this course of events that entailed the successful conclusion of the PCC and the signing of the Army Reorganization Plan.

As the matter now stands, however, we find ourselves facing a state, which can only find a parallel in days prior to January 10, if not even worse. The only proper approach toward disentangling the many complexities lies therefore in effecting a prompt cessation of hostilities. The function as well as the past record of the Committee of Three further underscore your obligation to call its meeting at once. And the reasons are:

(1) The Committee of Three has been in adjournment for nearly three months, it thus not only bars the prospect for peace, but utterly deprives the Executive Headquarters and the field teams a guiding light amidst this turmoil.

(2) There is no precedent in the record of the Committee of Three that any Chinese party has ever rejected your invitation to its meeting. Nor is it conceivable that anybody would ever boycott such a meeting. In particular, the Chinese Communist Party has never undertaken such a step.

I feel therefore all the more justified in requesting a prompt meeting of the Committee of Three at this moment.

As to the rejoinder that the Committee of Three should not be convened until there has been a meeting of the informal five man committee headed by Dr. Stuart, and some progress has been made towards an agreement for the organization of the State Council, it is but a too obvious unwarranted excuse, which I believe you are fully aware. For plainly the informal five man committee would not by itself bring forth a cessation of hostilities. At best, it would only open the way for a discussion on truce,—being still far off from our true objective of cessation of hostilities. Speaking about the reorganization of the State Council itself, it is not a complicated matter at all, unless the Kuomintang government would lavishly play an obstructionist policy. If the Kuomintang would agree to appropriate fourteen seats of the State Council to the Chinese Communist Party and the Democratic League, thus definitely ensuring a one-third vote to safeguard the PCC common program from being infringed upon, the whole issue of the State Council can be settled almost overnight. Would such a course be adopted, I am sure, that Dr. Stuart as the



preassigned chairman of that committee can very well confer with both sides for a settlement. If a different course be chosen, then even the abandonment by the Kuomintang of its previous claim for a 8-4-4-4 ratio does not rule out the possibility that it may wreck the whole proceeding by substituting that claim with other terms. Facing such a situation, the debate would just go on endlessly without ever resolving the State Council issue, let alone the cessation of hostilities.

Time and again I have explained to Dr. Stuart, that the resolution of the State Council issue does not call for a formal meeting, as it can very well be achieved by informal talks with the two parties, thereby facilitating the discussion on the principal cease-firing issue. Any insistence on placing the informal five man committee before the Committee of Three is not only unwarranted, but merely a pretext for the purpose of obstruction.

In view of the foregoing I earnestly request that you would immediately call the Committee of Three together, and favour me with an early reply.

Should the Committee of Three nevertheless fail to meet, I can hardly convince myself that there is still a second way leading to cessation of hostilities. By reaching such a stage, I would feel myself forced to make public all the important documents since the armistice in June, in order to clarify the responsibility and appeal to the general public for judgment. I wish hereby to serve notice of my contemplated action.

Faithfully yours,

[Signature in Chinese]  
(CHOU EN-LAI)

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Marshall Mission Files, Lot 54-D270

*Notes on Meeting Between General Marshall and Mr. Wang Ping-nan at General Marshall's Residence, Nanking, September 22, 1946, 9:45 a. m.*

Also present: Lt. Col. Hutchin  
Captain Soong

Mister Wang Ping-nan brought a memorandum for General Marshall from General Chou En-lai,<sup>84</sup> a memorandum which was only received this morning along with instructions to deliver it immediately. In this memorandum, General Chou En-lai emphasized the previous record of the Committee of Three and requested that General Marshall immediately call a meeting of the Committee of Three. General Chou considered that placing the five man committee meeting before one was not only unwarranted but "merely a pretext for purpose of obstruction."

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<sup>84</sup> *Supra.*

General Marshall replied that preliminaries to a meeting of the Committee of Three usually involved individual discussions with the Government and the Communist representatives in order to insure a reasonable probability of agreement. To call a meeting of the Committee of Three without any possible grounds for agreement would only result in the further loss of prestige of that Committee.

At the present time, General Marshall could not see the probability of such an agreement. A meeting now would be unprofitable and would weaken the prestige of the Committee of Three.

Consequently, General Marshall was forced to assume that General Chou's desire in calling for such a meeting at this time is in expectation of a stalemate in the Committee of Three. Even, so, General Marshall will give General Chou's memorandum very careful consideration and make an early reply. As a matter of fact, the Generalissimo was now traveling in Kiangsi Province and probably would not be in Nanking for a few days.

General Marshall then turned to the issue of Dr. Stuart's discussion group. He emphasized that the procedure of the informal Five Man Committee was not proposed by the Government but was purely an effort on the part of Dr. Stuart and General Marshall to break the present deadlock. Meanwhile, the attitude of the Communist Party has been—as indicated by General Chou's statements and the Communist propaganda—that this proposal was originated by the Government for an evil purpose. At the time when this proposal was brought up, Mr. Stuart and General Marshall had good reason to believe that they had obtained the agreement of the Communist Party to the Five Man Committee and that the difficulty would be in persuading the Government to accept such a proposal. However, the situation today is just the reverse. One does not know just what purpose is behind current Communist maneuver.

General Marshall then pointed out that he had noticed from recent propaganda that the Communists are resentful of General Marshall's bringing the Government's stipulations, conditions or agreements to General Chou from the Generalissimo. However, General Marshall pointed out that acting as the middle man is his unhappy duty. It is equally disagreeable to carry disagreements or stipulations from General Chou to the Generalissimo.

General Marshall emphatically stated that one point he wanted clarified concerns the vicious propaganda attack directed against his personal integrity. On the one hand, Communists have publicly assailed his personal integrity and honesty of purpose, while on the other hand, in private, they repeatedly ask him to continue his efforts as a mediator. This situation can no longer be tolerated. If the Communists have lost faith in General Marshall, of course his efforts

would be ineffective. If this is the case, all that needs to be done is to notify General Marshall and he will immediately withdraw.

Mr. Wang Ping-nan then said that the statements made by General Marshall this morning were of great importance and that he would transmit them to General Chou En-lai immediately. However, he stated that the basic point in the Communist Party's insistence on the meeting of the Committee of Three is to effect a cessation of hostilities. They could not help but feel that only the meeting of the Committee of Three could produce such a result, particularly in view of present progress in the civil war.

General Marshall asked Mr. Wang's permission to inject a thought at this point. The Communists probably failed to realize that one great trouble General Marshall has been encountering is to persuade the Government to have more faith in the purpose and methods of the Communist Party. Both General Marshall and Dr. Stuart felt that if only for this reason, their attempt to initiate the Five Man Committee would help provide evidences to be presented in support of their argument with the Government toward moderating the Government's demands and conditions in securing a termination of hostilities. General Marshall pointed out that it has always been the Government's attitude that the Communist Party is not going to go through with the reorganization, and that their purpose is to obstruct and delay. On the other hand, it has always been the Communist Party's attitude that the Government's wish is to destroy or fatally weaken the Communists, by secret police, military force, or by political means. If faith on either side toward the opposing party can be increased, that would provide a possible base for settlement of hostilities. General Marshall pointed out that Dr. Stuart's Five Man Group is to help him, and the Committee of Three to achieve the cessation of hostilities.

Mr. Wang then stated that the Communist Party is not unwilling to join Dr. Stuart's Five Man Group. However, there are two points this group will not be able to solve; one, is the number of seats in the State Council. The Communist Party has repeatedly demanded that the Communist Party and the Democratic League together be allowed to have 14 seats. On this point the Government has not made any statement.

Secondly, this Five Man Group cannot obtain a guarantee from the Government for the cessation of hostilities upon reaching an agreement by the group. Mr. Wang expressed that the purpose of the Communist Party is the termination of hostilities. He believed such a purpose can be achieved by the meeting of the Committee of Three if General Marshall desires. He then explained that General Marshall had encountered similar difficulties prior to the January 10



Cease Fire Agreement and through the meetings of the Committee of Three, such difficulties had been overcome. He expressed belief that the difficulties General Marshall is encountering today can also be overcome by similar procedure.

General Marshall said Dr. Stuart's discussion group is a procedure much along the same line as that adopted last January, that it was designed to enable Government and Communist representatives to discuss across a conference table in the presence of American mediation, the two basic issues which must be settled before the State Council is established.

Mr. Wang commented that Dr. Stuart's group is to discuss the initiation of the State Council only and not for the purpose of discussing the cessation of hostilities. He further stated that the Communist Party had agreed one hundred percent to the cessation of hostilities Draft Agreement<sup>85</sup> during the meeting of the Committee of Three last June. However, the Government only agreed to eighty percent of the agreement, and it was over that last twenty percent that the civil war was now raging in China.

General Marshall stated that during the past, the Communist Party had shown definite evidence of lack of good faith in going through with implementation of agreements. He cited the February 25 Army Reorganization agreement as one example; the Communists' attacks against Changchun, and again in Shantung in period of June 9-14; and other acts of retaliation since June which have made his task extremely difficult. The present proposal by Dr. Stuart and General Marshall was designed to strengthen the faith of both sides for each other and thus pave the way for a real peace. By sitting the four representatives of the Government and the Communist Party at one table to settle one definite point this might be accomplished. It is necessary to recognize the sickness in order to treat it properly. Complete distrust of each other's intentions is the ailment.

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to President Truman*<sup>86</sup>

[NANKING,] September 23, 1946.

1549. DEAR MR. PRESIDENT: Since my 1491 of September 13 I returned to Kuling and conferred with Generalissimo, voicing Chou En Lai's resentment over the new condition that cessation of hostilities would also be dependent on publication of Communist delegates

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<sup>85</sup> See draft of June 24, vol. ix, p. 1189.

<sup>86</sup> Copy transmitted to the Under Secretary of State on September 24, by the War Department.

to National Assembly scheduled for November 12th and Chou's demanding that meeting of Committee of Three, of which I am chairman, should precede meeting of group headed by Dr. Stuart to settle terms for organization of State Council. Meanwhile Chou En Lai was having discussion with Dr. Stuart in latter's effort to precipitate meeting of his group for organization of State Council.

Last Monday Chou submitted three memoranda to me: One protesting against surplus property deal, which I radioed at his request to Secretary of State; one relating the course of the "fruitless negotiation" of the past three months and requesting me to transmit this statement to the National Government, and finally, calling on me to convene the Committee of Three immediately; and the third memorandum merely stating that he was leaving that day for Shanghai and would return immediately on notice from me of a meeting of the Committee of Three.

A radio summary of these lengthy memoranda was sent to me at Kuling<sup>87</sup> and I presented the situation to the Generalissimo. He stated that he would not authorize the attendance of the Government representative of the Committee of Three until Dr. Stuart's group had convened and shown some evidence of reaching an agreement for organization of the State Council. He agreed to certain compromise proposals made regarding the organization of the State Council which I could introduce if the Government members failed to carry their initial proposal as to membership.

I returned to Nanking and conveyed the information to Dr. Stuart who was meeting daily with Chou En Lai's representative, Wang Ping Nan, Chou still being in Shanghai. Wang informed Stuart that Chou desired a formal written reply from me, which I then made, stating the impossibility of holding a meeting of the Committee of Three until the Generalissimo's representative was authorized to attend. I sent the statement by courier to Shanghai. Wang Ping Nan brought me a lengthy reply from Chou this morning, Sunday,<sup>88</sup> which was a further argument for an immediate meeting of the Committee of Three insisting that the Government would not boycott the meeting if I called it, and concluding with the statement that if the meeting was not called Chou would publish the minutes of our conversations. I informed Wang Ping Nan that I would consider the letter and make a formal reply, that the Generalissimo was now traveling on an inspection trip and would not reach Nanking for two or three days and therefore I could not discuss with him his refusal to authorize the attendance of his representative until he returned. I further made emphatically clear that it was Dr. Stuart and I who

<sup>87</sup> Telegram No. 1514, September 16, not printed.

<sup>88</sup> September 22; telegram drafted the day before it was sent.

were pressing for the State Council group to meet, not the Government, in the hope that an agreement there would create sufficient trust in the good intentions of both parties to enable us to compromise the military issues. I also stated that the present practice of the Communist Party to attack publicly in official propaganda the integrity of my actions and at the same time privately to appeal to me to continue in my efforts to mediate must cease immediately for I would no longer tolerate such a procedure of duplicity, that if they had lost faith in the integrity and honesty of my actions they had only to inform me and I would withdraw immediately as a mediator. I had tactfully implied this before but made it emphatically clear today. Frankly, I think they would be very loath to have me withdraw unless the time in their opinion had arrived to go into a state of complete civil war and to seek such Soviet assistance as they could obtain. Incidentally Wang Ping Nan informed Dr. Stuart that the Soviet Ambassador had called on him and, indicating the American failure, had offered to undertake the role of mediation. Just to what extent this was an accurate statement must be a matter of opinion but it is evident that it might well be considered by the Communists as a means to influence more powerful American pressure on the Nationalist Government. Therefore I take the statement with a grain of salt.

I will make no reply to Chou En Lai until the Generalissimo returns, unless Chou himself returns to Nanking and calls on me personally. And I will ignore his implied threat regarding the publication of the minutes of our meetings. They are far too lengthy to be carried in the press and extracts which would be considered favorable to the Communist contentions would be open to certain questions as to remainder of minutes.

The situation now involves maneuvers of such complicated possibilities or motives on both sides that it is impossible to make a logical estimate. The Democratic League which has been allied with the Communists and whose proposed representatives plus Communists in the State Council might constitute a veto power, has been opposing the meeting of the Stuart group and its leader has been attacking me. But two of its leading intellectuals or liberals have just resigned, one forming another group, which indicated a serious break for the Communists and a possible gain politically for the Government. Chou is in Shanghai presumably in frequent conferences with the head of the Democratic League, who is an astute but somewhat discredited and selfseeking politician, so I am told. Confused and maddening as are the developments I have not lost hope at all, for maybe yet we can pull this chestnut out of the cross fire which rages around us.



Dr. Stuart is sending by pouch lengthy written statements of the various meetings and points of view.<sup>89</sup>

G. C. MARSHALL

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and General Yu Ta-wei at No. 5 Ning Hai Road, Nanking, September 23, 1946, 10 a. m.*

Also present: Colonel Caughey

General Yu Ta Wei opened the meeting by asking General Marshall what he considered was the object of the Communists in preventing the meeting of the Five Man Committee. General Marshall replied that he could not quite penetrate their purpose unless it is the feeling that if the Committee of Three meets instead, and at the same time, the stalemate is continued they would feel they had gained their point by proving that the National Government did not wish to cease fighting. Whether this is their reason for insisting that the Committee of Three meet first, General Marshall did not know but he was certain that the recent shakeup in the Democratic League, which possibly would lessen the Communists' power in the State Council, was a definite element in their insistence that the Committee of Three meet prior to the Committee of Five.

General Yu Ta Wei asked General Marshall if he knew what the Communist stand would be if the Committee of Three were convened. General Marshall replied that he felt quite sure they would insist on reverting to the status as of 13 January with reference to territorial acquisitions. General Marshall stated however that he felt he also knew what the Government proposal would be and that was, they would insist on the completion of the five conditions imposed by the Generalissimo in July [*August?*]. These two positions under the present circumstances would appear diametrically opposed. General Marshall said that he was ready to participate in the Committee of Three anytime, but that he realized it would be necessary to wait for the Generalissimo's return to Nanking in order to determine specifically what restrictions the Generalissimo would now insist being included in any agreement for the termination of hostilities, and he would wait providing the Generalissimo did not delay his return.

General Yu Ta Wei said that he would communicate to the Generalissimo the substance of General Chou En-lai's 21 [15] September memorandum (MM 145) and inform General Marshall of the reply. General Marshall cautioned General Yu not to make an issue of the

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<sup>89</sup> See despatch No. 154, September 25, p. 223.

point raised by General Chou En-lai to the effect that minutes of meetings would be published since this is not the real issue. What is required is the Government's reaction to the meeting of the Committee of Three as proposed by General Chou En-lai.

In elaboration of this thought, General Marshall impressed on General Yu the delicacy of the present situation and the possibility that the Government's stubborn position might possibly force the Communists into the Soviet fold. In this connection, General Marshall told General Yu that at the present moment the Communists were of the opinion that he, General Marshall, had the power to force the Government to meet various terms or demands and that they use this in their propaganda in an effort to bolster their own cause. It is for this reason particularly that propaganda on the Government side would aggravate the situation.

Speaking of propaganda, General Marshall informed General Yu that until very recently, he, General Marshall, had not referred to the most damaging aspect of surplus property transfers; that is the gold the National Government could secure by disposing of this property for cash with which to support a continuation of the campaign of force. General Marshall stated that he was concerned over the fact that certain Government Officials were abusing, or taking advantage of his efforts to assist China by utilizing the facilities to pursue their military campaigns. He referred to ships in particular. General Marshall categorically stated that he would not take any action to support the National Government in a campaign of force and that he had been willing to proceed with the various programs to benefit the people of China.

General Yu stated that he was interested in constructive efforts to break the present deadlock and added that General Marshall's recent suggestion concerning the organization of the State Council had thus far been the best approach to this problem. However General Yu Ta Wei indicated pessimism and attributed his pessimism to a feeling that General Chou En-lai had received new and stiffer instructions from Yen-an. General Yu continued by stating that the National Government wanted a cessation of hostilities but did not see the advantage in calling the meeting of the Committee of Three when it was known beforehand, according to his feeling in the matter, that the Communists would not accept the Government's proposals. General Yu then stated that he did not want to be on the Committee.

893.00/9-2346 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, September 23, 1946.

[Received September 25—2:40 p. m.]

1517. Minister of Information issued statement September 21 that Communist Party now at historical crossroad and should be careful in determining future line of policy. Minister recommended that belligerent Yen-an statements be compared with those of Gmo to determine which party is war minded. He added that "Kuomintang has never thought of settlement of internal strife in terms of victory or surrender." Government is always asking Communists to take part in national government. He then went on to say that all obstruction is fault of Communists. Full text by airmail.<sup>90</sup>

STUART

893.00/9-2346 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, September 23, 1946—1 p. m.

[Received September 25—12:14 p. m.]

1523. Nanking Communist spokesman Wang Ping-nan on September 22 informed United Press correspondent that General Chou En-lai has made "last request" to General Marshall for convening Three-Man Military Committee to bring about cessation of hostilities. Wang warned that failing acceptance of this, Communists will "take our own steps" but did not say what those steps would be. He further stated that if committee does not meet civil war will continue until one side or other is exhausted. He emphasized Communist refusal to join Five-Man Committee is caused by inability of this committee to discuss military matters. (This "last request" refers to a letter Chou En-lai addressed to General Marshall from Shanghai on September 21 in which he demanded convening Three-Man Committee and in final paragraph of letter stated that unless request were granted he would publish correspondence since June. Letter is couched in such terms as to make it impossible for General Marshall to accede to Communists' demands.)

STUART

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<sup>90</sup> Not printed.



893.00/9-2546

*The Ambassador in China (Stuart) to the Secretary of State*

No. 154

NANKING, September 25, 1946.

[Received October 11.]

SIR: I have the honor to inform you of the latest developments in the efforts of General Marshall and myself to end the civil war. During the past few days the Communist representative, Wang Ping-nan, has been to see me daily. On September 20 in response to his anxiety over the spreading hostilities and the desire of his group for a guarantee that further negotiations would really end the fighting, I explained once more at length the only sense in which we could "guarantee" this. This was in effect that once the Government was convinced by the results of my informal committee that the Communists were sincerely cooperating in the establishment of a coalition structure the Three-Man Committee would meet for the avowed purpose of agreeing on the military adjustments necessary to the issuing of the cease-firing order; that we were confident this was the intention of President Chiang; that we would bring every inducement we properly could to hasten this; and finally that in so strongly advising the Communists to take this course we were virtually assuring them that they would not be disappointed nor deceived. He seemed finally to be impressed asking only that I secure General Marshall's confirmation of my interpretation of this guarantee. This I did and so informed Mr. Wang the next day when he told me he was sending men to Shanghai at once to convey our message in person to General Chou En-lai.

The next morning, however, he delivered to General Marshall a letter from General Chou which was promptly sent on to me. Mr. Wang after discussing the matter with General Marshall came to report all this to me. When he commented again on how critical the military situation was becoming and the necessity of immediate action to remedy it and asked for my reaction I merely expressed my deep regret at this outcome and my sense of impotence to help in securing peace in view of this repudiation of our proposal. So that General Chou's point of view can be understood, a copy of his communication is enclosed herewith.<sup>91</sup>

There seem to be only two possible explanations of conduct so detrimental to their own obvious interests and so inconsistent with the previous attitude of General Chou and his associates:

1. It is an extreme instance of a fear complex or a psychosis of distrust.

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<sup>91</sup> Memorandum by General Chou En-lai to General Marshall, September 21, p. 212.

2. It is a deliberate attempt to eliminate American participation in view of the benefit this is—unintentionally on our part—giving to the recognized Government. With the withdrawal of American armed forces and the stoppage of other material aid to China, they may intend to appeal to the Security Council through Russia or ask that Russia and Great Britain be associated with the United States in further mediation.

It may well be that their present recalcitrant behavior is caused by a fusion of these two elements, beginning with the former and crystallizing into the latter. Their course of action may have been somewhat opportunistic from the arrival of General Marshall in China and continues to be one of temporizing, aggravated now by the unfavorable military trend, the possible changes in American policy as influenced by their propaganda, the Wallace episode,<sup>92</sup> etc.

President Chiang is due back in the capital this week. We shall take no further action until after consultation with him.

Respectfully yours,

J. LEIGHTON STUART

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Marshall Mission Files, Lot 54-D270

*Memorandum by General Marshall and Dr. Stuart to  
General Chou En-lai*

[NANKING,] 26 September 1946.

DEAR GENERAL CHOU: Since your departure for Shanghai we have been steadily hoping that you would return here and thus make possible a resumption of the efforts to end the spreading civil war. The disastrous consequences to the nation of a continuation of the present situation are apparent to all. We continue in our belief that both the Government and the Communist leaders sincerely desire peace and the establishment of a coalition government and the adoption of a democratic constitution, and that the difficulties are largely questions of procedure.

We desire to help in this to the utmost of our ability. We venture, therefore, on the basis of our past friendly relations and our personal esteem for you, to urge that you return to Nanking without further delay in order that we may together explore all conceivable ways and means for the objective we are seeking to achieve.

We have been informed that the Generalissimo returns to Nanking today or tomorrow, weather permitting.

G. C. MARSHALL  
J. L. STUART

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<sup>92</sup> For President Truman's statement on September 20 in regard to the resignation of Henry A. Wallace as Secretary of Commerce following disagreement on foreign policy, see Department of State *Bulletin*, September 29, 1946, p. 577. For Vice President Wallace's mission to China in 1944, see *Foreign Relations*, 1944, vol. VI, pp. 216 ff.

Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Mr. Walter S. Robertson, at Peiping*

[NANKING,] 26 September 1946.

1561. On 20 September I sent a memorandum<sup>93</sup> to Chou En-lai about Communist refusal to hear two Government witnesses, pointing out the investigation had already been delayed well over one month and, as suggested by you, requesting him to instruct the Communist Commissioner to give the necessary instructions for the hearing of the two witnesses in question and to proceed in accordance with the agreed procedure.

Chou En-lai's reply just received and paraphrased is as follows:

"Dear General Marshall: As yet there is no report in my hands from General Yeh Chien-ying regarding the true cause of delay in the investigation of the Anping incident. As I understand, the two eye-witnesses suggested by the Government side are most inappropriate for four reasons; first, if the Government troops were not involved in the Anping incident, how could they feel so sure that they had taken captive a Communist who had participated in the Anping incident. Second, the Government representative stated that the two eye witnesses were suggested by the Deputy Chief of Staff of General Sun Lien-chung, the Commander of the 11th War Zone, when the 25th Team was interviewing General Sun. This assertion however was not supported by the official record. Third, it is doubtful that the oxen cart owner may have any connection with the Anping incident and that his testimony will furnish a clue to the whole affair. Fourth, if it is alleged that the Communist soldier was captured at Houhsiwu on 3 August, then this seems rather ridiculous to throw much light on an incident that took place at a different place and different time, except bearing evidence that the Government troops had illegally attacked Houhsiwu.

I hesitate to issue a detailed instruction to the Communist representatives of the Executive Headquarters as to what definite steps should be taken at this moment, although I do agree with your view that the investigation should be expedited. In my instruction to General Yeh I laid stress that the cooperation among the three parties should be sought and that the investigation of the Anping incident should be expedited."

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Marshall Mission Files, Lot 54-D270 : Telegram

*President Truman to General Marshall*

[WASHINGTON,] 26 September, 1946.

81554. Personal for General Marshall from the President.

"DEAR GENERAL MARSHALL: Have read your 1549 of September 23d with great interest. I have the utmost confidence in you. I know you can 'pull the chestnut out of the cross fire.' If it can be done at all. The President."

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<sup>93</sup> Not found in Department files.



Marshall Mission Files, Lot 54-D270

*Memorandum by the Director of the Office of Far Eastern Affairs  
(Vincent) to the Acting Secretary of State*

[WASHINGTON,] September 26, 1946.

MR. CLAYTON: Attached is the situation report on China<sup>94</sup> which you asked me to prepare for you. I hope it is what you wanted.

I believe General Marshall's efforts to bring about a solution will in the end succeed even though the progress is hard and slow. An interruption by civil warfare may bring wiser counsels to the fore, but as I said to you the other day the General's very presence in China is in itself a beneficially moderating influence. I think therefore that we should persevere in our support of General Marshall and the policy he is pursuing.

In the light of my foregoing comment you may decide not to refer in the Cabinet meeting to my final paragraph, in which I take a speculative look into the future in anticipation of an unlikely but possible complete breakdown in the discussions.

We try to keep General Marshall informed with regard to discussions of China back here, and I would therefore appreciate your telling me, if you can, about what takes place at the Cabinet meeting if China is discussed. Even if there is no discussion you may want to leave the memorandum with the President to let him know something of our line of thinking in case you agree with that line.

I am thinking of preparing a telegram to General Marshall for your approval telling him that we are in full agreement with his method of handling the situation, particularly with regard to Chou En-lai, and also informing him of the view expressed in my memorandum that the time may be near for him bluntly to ask the Communists whether they wish to "fish or cut bait".

J[OHN] C[ARTER] V[INCENT]

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Marshall Mission Files, Lot 54-D270

*Memorandum by the Director of the Office of Far Eastern Affairs  
(Vincent) to the Acting Secretary of State*<sup>95</sup>

[WASHINGTON,] September 26, 1946.

General Marshall's last situation report (1549 September 23) presents a somewhat disturbing picture although it is well to bear in mind his own statement that "confused and maddening as are the

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<sup>94</sup> *Infra.*

<sup>95</sup> Mr. Clayton transmitted this memorandum on September 28 to Mr. Acheson, who had resumed duties of Acting Secretary of State, with the observation that Mr. Vincent's memorandum would bring him up to date although the subject had not come up at the Cabinet meeting of September 27.

developments I have not lost hope at all, for maybe yet we can pull this chestnut out of the cross fire which rages around us".

Briefly, the situation with regard to negotiations is this:

The Communists are demanding a meeting of the three-man "Truce" Committee, of which General Marshall, a Communist representative and a Government representative are members, with the object of having the Government issue a cease-fire order. They are making this a prerequisite to discussion of political problems in the so-called "Stuart Committee", composed of Ambassador Stuart, two Communist and two Government representatives.

Chiang Kai-shek has so far refused to agree to convening the Truce Committee, arguing that discussions in the "Stuart Committee" would reveal whether or not the Communists sincerely desire to reach a political settlement. If that is found to be the case, presumably Chiang would then be willing to issue a cease-fire order. Chiang has also made it a condition to issuance of a cease-fire order that the Communists publish the names of their delegates to the National Assembly scheduled for November 12.

General Marshall, it appears, will make an effort to obtain Chiang's agreement to a meeting of the Truce Committee, but at the same time he has clearly indicated his desire that the "Stuart Committee" meet as soon as possible "in the hope that an agreement there would create sufficient trust in the good intentions of both parties to enable us to compromise the military issues".

Underlying these mechanistic differences are two fundamentals. One is the lack of confidence on the part of either party in the word or intentions of the other party. General Marshall has hoped for these many months that discussions and concrete results would overcome the difficulty. He is still hopeful. The other is the question of whether either party actually or sincerely desires a political and military settlement. It has appeared that the Communists in large measure do desire, for selfish reasons, such a settlement. And it has also appeared that reactionary political and military elements in the Government do not desire a settlement, preferring rather to place their reliance in the use of force. Chiang Kai-shek's attitude has been questionable. He would like to avoid a spread of civil war but his long and deep-seated antagonism toward the Communists and his fear of sharing governmental responsibility with any group outside his own coterie render it very difficult for him to make concessions.

The military situation, for the moment at least, is developing favorably to the Government, but General Marshall has on several occasions indicated his belief that the Government is not able to carry out the sustained and widescale operations that would be necessary to

eliminate Communist opposition and unite the country by force. The fighting, contrary to press predictions but in accord with our own predictions, is not widespread. A number of isolated campaigns are under way, the objective of which is to recover certain key points from the Communists. In Manchuria there has been little or no military activity. The Government seems primarily concerned with obtaining control over transportation lines in north China and, as stated, is being successful in some degree.

A disturbing factor evidenced in General Marshall's report is the tone adopted by the Communist representative, Chou En-lai, in recent communications to the General. Another is the statement of Chou's assistant that the Soviet Ambassador "had offered to undertake the role of mediation". General Marshall says that he takes the statement "with a grain of salt" and it is believed he is right in so doing. However, the time may be near at hand when it will be tactically advisable for the General bluntly to ask the Communists whether they wish to "fish or cut bait". Although they have many causes for complaint against the National Government, the issues they now raise should not stand in the way of entering upon political discussions in the "Stuart Committee" if, as they claim, they desire a settlement. Therefore, it may be useful for General Marshall to smoke them out.

In the unlikely event that the Communists should decide to terminate all discussions and rely solely on military defense, we would of course have to re-examine our procedures in China if not our policy. We should, it is believed, stay with the problem, keeping General Marshall there on the spot if he is willing to remain, but stay out of the civil war. At the same time we might lift the present ban on credits to China provided those credits were utilized in areas (Yangtze River area and south) where there was no combat and provided also that Chiang actually undertook long overdue and much needed measures of reform in the political, social, economic, and agrarian fields. At present all reports indicate that the Russians are not interfering directly or materially in support of the Communists. It is believed that they would be loath to have a situation develop in China where they would find themselves ranged against us in open military support of the warring Chinese factions. Therefore, it is felt that if we refrain from rendering open military support to Chiang's forces we can avoid development of a situation which we earnestly desire to avoid; that is, an ill-disguised military contest between ourselves and the Russians over China.

J[OHN] C[ARTER] V[INCENT]



893.00/9-2746 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, September 27, 1946.

[Received September 27—12:40 a. m.]

1546. Minister of Information issued following statement Sept. 25:

"If essential conditions are fulfilled (by the Communists), peace will follow immediately and permanently. Conflicts are much less widespread than advertised by Communist propaganda. The Communists have been clamoring for peace. The govt wants peace, too, but the govt wants a real peace, a permanent peace, not a patchwork peace. In the past our experience has been that cease fire orders have been used by the Communists *reculer pour mieux sauter*, a means of gathering strength for a new attack. In the past the Communists have wanted peace where they were weak, and used it as a breathing spell for regrouping and reorganization; but where they were strong, they attacked. This record of Communist tactics is fresh in our memories. After the general cease fire order in January the Communists occupied Changchun in violation of a solemn agreement. In June, after a second govt cease fire order, they attacked and captured Techow and besieged Tsinan and Tsingtao. They precipitated conflict in northern Kiangsu by attacking Taihing. The tragedy of the Lunghai railroad was caused by the assault of Communist troops under Liu Po-cheng. Their siege of Tatung caused hostilities in Chahar. All these incidents show that, unless the Communists live up to their agreement under the Army reorganization and integration program, and unless there is definite determination of the places where the Communists should be garrisoned, cease fire will mean only a patchwork peace that suits the convenience of the Communists. But if these essential conditions are fulfilled, peace will follow immediately and permanently. Conflicts are much less widespread than advertised by Communist propaganda. As a matter of fact, except the area around Chahar, fighting has practically come to an end in the other sections. There is no fighting along the Lunghai railway, in the south of Shantung and in the north and east of Hopei. In north Kiangsu merely mopping-up operations are going on. The Communists broke many dikes in that district, but by an irony of fate, these operations only served to handicap the arrival of Communist reinforcements and prevent the retreat of the defeated Communist troops. A great number of Communist troops were trapped in these flooded areas and made prisoners."

STUART

893.00/9-2746 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, September 27, 1946.

[Received September 27—12:40 a. m.]

1547. Communist spokesman Wang Ping-nan, Sept 25, commenting on Soviet statement to UN Security Council said: "One nation's civil war can affect international peace. That is why we [are] doing utmost to bring about cessation hostilities so as to achieve complete realization of Truman's December 15 statement and the Moscow Foreign Ministers' Conference decisions." Asked if that implied Communist concurrence with Gromyko's statement, Wang said: "Gromyko has his own reasons for his statement."

Regarding reports that the Communists are planning to submit the China issue to the United Nations Security Council, Wang replied, "We have not yet considered this question." Questioned about whether the Communists expect Soviet aid to counter US aid to the National Govt, Wang said, "No, we never counted on outside help during the Japanese war. Similarly we will not pin our hope on others in the future".

STUART

893.00/9-2746 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, September 27, 1946.

[Received September 27—12:45 a. m.]

1552. Vice Minister [for] Foreign Affairs Liu Chieh at press conference September 25 said: "American Marines are in China to assist in repatriating Japanese nationals of whom over 2,000,000 now have been repatriated. This task was undertaken by the Americans for us as obligation of an ally in the China theater and their presence in China is with the sanction of the Chinese Government. These forces have been reduced to less than half their number a year ago and are being continuously reduced as task approaches completion. We do not see how their temporary presence in China could lead to international friction."

Liu also said these views could be applied to Stalin's reported remarks. Asked regarding Admiral Cooke's statement that the Marines would remain until China peaceful and unified, Liu said he believed Cooke must have in mind transportation problems.

Associated Press correspondent Roderick asked if the Americans were in China in connection with the Nationalist-Communist fight-

ing, Liu replied, "Certainly not. Civil war certainly not caused by presence [of] Marines."

Asked how soon repatriation would be completed, Lin pointed out there were 3,000,000 Japanese in China, not including Manchuria. When pressed by reporters whether Chinese had taken over the repatriation, Liu said they had but the United States undertook to supply the transportation. Questioned as to when the Marines would quit China, Liu said, "When their mission is accomplished". And then he added, "but I am in no position to say when that will be". Questioned whether the Russians ever offered to help repatriate Japanese from Manchuria, Liu said, "I do not recall that the question ever came up". Asked if he had any information on the reported removal of Japanese from Manchuria by Russia, Liu replied, "we have not queried Russia about this".

Minister of Information Peng Hsueh-pei at same press conference when asked if political negotiations had ended, replied "no".

STUART

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893.00/9-2746 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, September 27, 1946—4 p. m.

[Received September 30—2:42 p. m.]

1555. In the belief that a comprehensive summary of recent military developments in China was needed, Embassy requested Acting Military Attaché to prepare such an analytical report. It is transcribed below:

"In reviewing the military situation in China, it appears impossible to establish definitely which side has been the principal aggressor in the numerous complicated operations which have taken place during 1946. The political issues behind these operations have been so beclouded by claims and counter-claims on both sides that it is impossible to decide, with any degree of certainty, just who started what. A careful analysis of all reports submitted by the Executive Headquarters teams in the field would doubtless shed considerable light on who has been the aggressor in many local situations, but even such a study would not, in my opinion, fix the primary responsibility for the present situation. Even in instances where it appears clear that one side or the other has been the aggressor, justification for assuming the offensive might be claimed on the ground that such action was necessitated by moves, threatened moves, on the part of the opposition.

The first indication of the present National Government offensive was noted in July of this year in an area on the border of Honan



and Hupeh which since 1945 had been occupied by Communist forces under General Li Hsien-nien. Around the first of July, reports from National Government sources claimed that Communist forces in this area were attempting to enlarge the territory under their control and were threatening points on the Lunghai Railway to the west and in Anhwei province to the east. To counter these alleged threats, Government forces, reported to consist of five armies, moved against the Communists in this area, which later came to be known as the "Hankow pocket", although it lay a considerable distance to the north of Hankow and east of the Peiping-Hankow Railway, with Hsuan-huatien in which town Li Hsieh-nien had his headquarters, as it is center of strategic importance.

Around 9 July, 1946, Li Hsien-nien's forces succeeded in breaking out of the encircling National Government troops and moved northwest to Tsaoyang. At Tsaoyang, the Communists separated into two columns. One, under Li Hsien-nien, moved northwest to Tenghsien, and thence to Shanyang. The other column, under Wang Chen, Li Hsien-nien's second-in-command, moved in a general westerly direction into the mountains.

Subsequent movements of the columns are not clear, but during the first week in September, both Li Hsien-nien and Wang Chen, with at least a part of their original forces, made their way back into the part of Shensi province which is controlled by the Communists. Reliable Communist sources admit that these forces had suffered untold hardships and heavy losses, but claim that both generals got home with approximately the same number of troops as they had led out.

The National Government operations in the "Hankow pocket" were successful in that the Communists were driven out of the area concerned. They failed, however, in that the main force of the Communists was not destroyed or captured.

The next phase of the National Government offensive got under way about 13 July, subsequent to reports circulated in the Kmt press that three columns of Communist troops were converging on Hsuchow, Kiangsu, from the north, south and east, with the objective of capturing or isolating this strategically important city at the junction of the Tientsin-Pukow [and] Lunghai Railway lines. At the same time, the Communists were reported to be planning attacks against the Shanghai-Nanking Railway from the north bank of the Yangtse River.

To counter these alleged threatening moves, the National Government employed a force estimated at 11 armies in operations which had the objectives of securing the south flank of units stationed along the Lunghai Railway in Honan; clearing the area east of the Tientsin-Pukow Railway in Anhwei province; and driving the Communists back from the north bank of the Yangtse River to Yiangsu.

In the first phase of these operations, National Government forces [from?] Hsuehchow struck deep into southern Shantung and took Hsien [*Yihhsien?*] and Tancheng. Simultaneously columns moved east and west from Hsuehchow and Tunghai in order to clear the Hsuehchow-Tunghai section of the Lunghai. The two columns met at a point about 38 miles west of Tunghai on 27 July.

During the second phase of the operations, National Government forces operating in northern Kiangsu exerted pressure on the Communists from north, east and west and gradually forced them north-east of Hweiyi [*Hwaiyin?*], the Communist stronghold in Supei (northern Kiangsu). While the Government armies have not been able to destroy the Communist forces in northern Kiangsu, they dealt them a severe blow by taking Hwaiian on 17 September.

In August, Communist forces, reported as numbering 80,000, attacked various points on the Lunghai Railway between Kaifeng, Honan, and Lichuan. Kaifeng, Lichuan, and Kaocheng were threatened, while Lanfeng, Yehchikang, Liuho, Yangchow, and Tangshan were taken. National Government forces, however, staged a counter-offensive between 19 August and 31 August and retook all the points which had been lost to the Communists.

In July, National Government forces crossed the Yellow River into southern Shansi and began a push to the north along the Tungpei Railway. By the first of August, they had reached and taken Linfen. In eastern Shansi, however, the Communists succeeded in cutting the Chengtai (Shihchiaohuang-Taiyuan) Railroad. According to press reports, the line was seriously damaged between Taiyuan and Showyang.

The important mining and communications center of Tatung, in northern Shansi, was attacked by Communist forces mid-July. Although the newspapers have repeatedly reported that the town was in danger of capture, it is still in the hands of the Government. Units from the forces of Fu Tso-yi, chairman of the Suiyuan provincial government, are reported to have relieved the Communist pressure on Tatung on 25 September.

A drive to open the Kiaotsi (Tsingtao-Tsinan) Railway was undertaken by Government forces in July and the line was reported cleared of Communist forces on 17 July. Official reports from U. S. Marine units stationed in Tsingtao, however, state that the Communists subsequently reoccupied parts of the line. No trains are running between Tsingtao and Tsinan, and there appears little likelihood that traffic will be resumed in the near future.

The military situation in Manchuria (except in Jehol province) has been generally quiet since the Gimo ordered the cessation of operations against the Communists 7 June. There have been many re-

ports of moves and countermoves on both sides, but only minor skirmishes have taken place. The National Govt new First Army moved from Anshan to Changchun on 20 Aug. The new Sixth Army was moved first to Szupingchieh from Changchun and thence to Anshan.

During the first week in Aug. the National Govt began a campaign to clear Jehol province of Communist forces, using the 13th Army and elements of the 53rd and 93rd Armies. Moving from Chaoyang, Chinhsien, Suichung, Chinwangtao area, Govt troops took Chengte on 30 Aug. The National Govt reported the capture of Chifeng, northeast of Chengte, on 4 Sept and claimed by the occupation of this city the campaign in Jehol had been virtually brought to a conclusion. A report from an Executive Headquarters field team in Chifeng, however, establishes that it was still in Communist hands on 28 Sept. The ultimate fall of the city to the National Govt, however, may be taken as a foregone conclusion.

The loss of Jehol province was a severe blow to the Communists, as it resulted in the cutting of their line of communications between Kalgan and Manchuria. On the other hand, by taking Jehol the National Govt has virtually removed the Communist threat to a large part of the railway from Shanhaikuan to Changchun and has greatly strengthened their hold on the deep salient which they have driven into Manchuria.

After taking Jehol, the Govt moved against the Communists in eastern Hopei. Columns advanced south from Chengte, east from Peiping, north from Tientsin, and west from Chinwangtao. By the 15th of September Communist strongholds in Tsunhua and Chihsien had been taken, and all passes on the Great Wall from Kupeikou to Iyusoko were in Govt hands.

National Govt forces are now moving on Kalgan, the largest and most important city in the hands of the Communists south of the Great Wall. Columns are reported converging on Kalgan from Lung-hua, Peiping, and Kueisni. The troops composing the last named column are part of the forces of Fu Tso-yi, chairman of Suiyuan province, who is considered one of the Gimo's ablest generals. Fengchen, 27 miles north of Tatung, was taken on 18 Sept and Chining was occupied on 11 Sept by these troops. The natural defenses of Kalgan are strong. Even so, it is doubted if the Communists will fight hard for the place, although its loss will be a bitter pill for the Reds to swallow.

From the above it appears clear that the National Govt is now on the offensive against the principal Communist forces south of the Great Wall. Thus far Govt forces have been generally successful. In Manchuria, except in Jehol, the Govt is apparently waiting for the Gimo to give the signal for an attack on Harbin. National Govt



military leaders are straining at the leash; eager to strike at the Communists while they are weak. The Communists are not expected to fight for Harbin or Tsitsihar, and Lin Piao, commanding Communist forces in Manchuria, is reported to have already moved its headquarters from Harbin to Chiamussu.

Observers who have followed the course of the recent fighting between the National Govt and the Communists are generally agreed that the Communists cannot win either in attack or defense in a toe-to-toe slugging match with National Govt forces. On the average, the equipment and training of Communist forces are inferior to those of the National Govt. The morale, physical condition, and clothing of the Communist forces in existence at the time the Japs surrendered were generally good, but these troops have been heavily diluted with recruits, and veteran organizations have been broken up into cadres to organize and train new units. Furthermore, although the Communists undoubtedly acquired considerable equipment from the Jap and puppet forces in Manchuria, much of this has been expended in recent operations throughout China, and from all indications they have been having difficulties with supply. No definite proof has been brought to light that the Communists are receiving Soviet equipment.

Favoring the Communists are the facts that they have had long experience in guerilla warfare and have almost unlimited room in which to maneuver. Consequently, while they cannot risk a decisive engagement with the National Govt forces, the latter have never been able to fix the former into position and administer an annihilating blow.

It appears a foregone conclusion that the National Government will take Harbin as soon as the Generalissimo gives the nod. Also, as the new 6th Army, one of the *corps d'élite* of Chinese forces, is now stationed in and around Anshan, a move on Antung appears likely and may have already begun. The capture of Antung would greatly strengthen the Government hold on Manchuria and would push the Communists farther away from vitally important lines of communication.

The resumption of full-scale operations in Manchuria, now held in abeyance, would be the last step toward all-out civil war. When this stage is reached, it is considered unlikely that the National Government will attempt operations south of the Wall on a much larger scale than at present.

The present Government offensive south of the Wall could continue successfully for from 3 to 6 months. If and when fighting again breaks out in Manchuria, the National Government should be able to push the Communists around almost at will for a similar period.

Eventually, however, probably at the latest about 6 months after

the outbreak of full-scale civil war, it is believed that the Government offensive would bog down. The advance of Government forces beyond their present positions would lengthen lines of communication and require more forces to protect them. Supplies would become increasingly difficult to obtain and to deliver to the forces at the front. During a successful period of the National Government offensive, it is believed the Communists will concentrate their efforts on avoiding attacks with as small losses as possible, at the same time attempting to wear their adversaries down by harrassing and nibbling tactics.

After a Nationalist offensive has spent itself, the Communists will have the opportunity to exploit their strongest potentiality, which is to attack the lines of communication by which National Government forces are supplied, and trade, the lifeblood of China, is carried on. Thus the general situation is expected eventually to resolve itself into a stalemate. In this the National Government will hold the coast, the principal centers of population, and most of the lines of communication. The Communists will be driven into the hinterland, from whence they will have more or less favorable opportunities to strike at lines of communication.

In such a stalemate, the National Government, if it can maintain lines of communication as well as the Japanese did, will have won the war, for even with fighting going on in many parts of the country China will not suffer too much if the main arteries of communication can be kept fairly well open. If, however, as some qualified observers believe the Communists are able to paralyze communications on a large scale, China can very easily be brought to a state of economic chaos in which the people, except for small groups of the well to do living in the largest cities will suffer untold misery. Such a state, assuming there is no interference from outside China, might continue for many years.

In view of recent changes in the organization of the Chinese Army, it is difficult to estimate its strength, but it is believed that the National Government still has about 1,700,000 troops, of which an estimated 300,000 are in Manchuria. Communist forces in Manchuria are believed to number around 300,000 of which only 60,000 [apparent omission] are 8th Route and New 4th Army veterans. The remainder are composed partly of recruits raised in Manchuria and partly of a heterogeneous collection of old Manchurian forces, former puppets, bandits, and other elements. The veterans as noted above, have not been retained as tactical units, but have been split into cadres in an attempt to have them assist the inferior forces.

The principal areas which are now held by the Communist forces are as follows:

[Here follows list of areas.]

There are other Communist pockets scattered throughout China, but they are of minor importance and whether or not these pockets are ever cleared will not materially affect the immediate future of this country.[""]

STUART

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Marshall Mission Files, Lot 54-D270

*General Chou En-lai to General Marshall and Dr. Stuart*

(English copy)

[SHANGHAI,] 27 September, 1946.

DEAR GENERAL MARSHALL AND AMBASSADOR STUART: Thank you for your letter dated 26 September, 1946.

The deterioration and seriousness of the present situation is apparent both to you and to all. I am not unwilling to return to Nanking for a discussion of the ways and means to stop the civil war. The government not only gives no signs for the cessation of hostilities but further is increasing its efforts by many folds in the active offensive upon Kalgan, Harbin, Antung, North Kiangsu, and other areas. A further adventure for negotiation will be nothing helpful to the real peace but a smokescreen for a free hand to make a full scale civil war on part of the government and for the deception of the people. This is why I would rather wait here in Shanghai for the convocation of the Committee of Three.

Your good friendship as expressed in your letter to urge me to return to Nanking is appreciated. However, inasmuch as the actual situation is still unknown, I am requesting Mr. Tung Pi-wu to approach you first on behalf of our side.

Should the government give factual evidence in reply to the demand for cease-fire and prove itself to have sincerity, I shall have no reason not to return to Nanking for a talk.

Sincerely yours,

CHOU EN-LAI

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893.00/9-2746 : Telegram

*The Acting Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, September 27, 1946—8 p. m.

803. Emb[assy] is requested supply info[rmation] on points mentioned below as background helpful to Dept in considering Chinese problems.

1. Original positions, significant changes of position and most recent stands of Kmt,<sup>96</sup> CCP<sup>97</sup> and other political elements re num-

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<sup>96</sup> Kuomintang.

<sup>97</sup> Chinese Communist Party.



ber of seats to be assigned each in State Council and re number of votes necessary to exercise veto.

2. Whether Kmt actually ratified PCC<sup>98</sup> decisions without reservation as announced by Central News. We realized that the PCC decisions met with strong opposition in the CEC<sup>99</sup> but we would like to know the basis for the CCP charge that Kmt ratification was qualified. Please also endeavor to find out character of reservations, whether open or covert.

CLAYTON

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Marshall Mission Files, Lot 54-D270

*Draft of Suggested Statement by Generalissimo Chiang Kai-shek*<sup>1</sup>

[NANKING.] 27 Sept[ember 19]46.

A continuation of the present political and military situation in China will be destructive of the interests of a long suffering people. It will render impossible the unification of our country and will threaten the peace of the world. Therefore, it is necessary that an early solution be found to the present conflict and that peace be restored to the land. But as the responsible head of the Government of China, I must see that the necessary measures are taken to safeguard the security of the nation, since we are dealing with a political party which maintains a large army to support or enforce its political policies.

In the past three months, I have stipulated certain conditions that must be met by the Communist Party before a peaceful accord could be achieved and to which they have thus far refused to agree. They now demand an immediate meeting of the Committee of Three of which General Marshall is the chairman. That committee reached an impasse in its negotiations the latter part of June and unless there are certain preliminary but vital agreements or understandings, a meeting of the committee would not only be ineffective but its future possible usefulness would be fatally impaired. I have insisted that the group of five men selected to reach an understanding between the Government and the Communist Party making possible the establishment of the coalition State Council should first meet under the chairmanship of the United States Ambassador, Doctor Stuart, to give evidence of the good intent of both the Kuomintang Party and the Communist Party towards the reorganization of the government in

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<sup>98</sup> Political Consultative Conference.

<sup>99</sup> Central Executive Committee.

<sup>1</sup> Presented to Generalissimo Chiang Kai-shek by General Marshall in course of conversation September 27. See Minutes of Meeting between General Marshall and Dr. Stuart, September 28, *infra*.

accordance with the resolutions of the Peoples Consultative Council. With this reassurance of good faith on both sides there would then be a new basis of trust for the termination of the hostilities now disrupting China. I have further stated that concurrent with the termination of hostilities the Communist Party should indicate its honest intention to cooperate in the reorganization of the government by announcing its delegates to the National Assembly to meet on November 12 to determine on a democratic constitution for the Government of China.

In view of the seriousness of the situation, the misunderstanding and public confusion, and the distrust and suspicions unfortunately prevalent, I now make the following public announcement of the conditions under which the Government is prepared to act to secure an immediate cessation of hostilities.

The Five Man Committee under the chairmanship of Doctor Stuart to meet immediately and at the same time the Committee of Three under the chairmanship of General Marshall with the following understandings:

(a) The opposing troops in close contact to be separated in accordance with the terms tentatively agreed to by the Committee of Three in June for the termination of hostilities in Manchuria.

(b) The restoration of communications to be immediately resumed in accordance with the agreement tentatively reached by the Committee of Three last June.

(c) The method for settling disagreements among the team members of Executive Headquarters and Commissioners at Executive Headquarters to be in accordance with the agreement tentatively reached by the Committee of Three last June.

(d) The implementation of the agreement for the reorganization and unification of the armies of China to be settled by the Committee of Three without delay.

(e) That whatever understanding is reached by the Five Man Committee headed by Doctor Stuart it is to be confirmed by the Steering Committee of the PCC without delay.

(f) All questions of local government to be settled by the newly organized State Council.

(g) Concurrent with the cessation of hostilities, the Communist Party to announce its intention of participating in the National Assembly by publishing its list of delegates to that assembly.

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Dr. Stuart at  
No. 5 Ning Hai Road, Nanking, September 28, 1946*

Also present: Lt. Col. Hutchin

Dr. Stuart informed General Marshall that the Generalissimo had sent for him last evening. The Generalissimo wanted chiefly to have

a report from Dr. Stuart, who then went over the entire business of the last few weeks to include his several discussions with Wang Ping Nan and Chou En Lai. Dr. Stuart reiterated to the Generalissimo all the old arguments that seemed to periodically crop up on both sides. He told the Generalissimo that he was not sure whether the Communists were just being cautious, or whether they were suspicious and afraid, or whether their actions were part of a deliberate policy to delay negotiations by every obstruction possible. He urged the Generalissimo to give the Communists the benefit of the doubt and to consider that the Communists were still extremely anxious to have a coalition form of Government.

The Generalissimo seemed skeptical but agreed that the best course of action was to give the Communists every chance to participate in the Government. The Generalissimo seemed to really want them to come in to the Government.

The Generalissimo also spoke of the joint letter to General Chou <sup>2</sup> and asked if Dr. Stuart thought there would be a reply. Dr. Stuart felt that General Chou would be inclined to hold back until he learned what move the Government was going to make now that the Generalissimo had returned to Nanking.

General Marshall commented that our joint letter to Chou En Lai was a face-saving device for Chou. It asked General Chou to come back to participate in negotiations. If Chou chose to publish it, then the public would see he returned to Nanking because of special representations by the American mediators instead of because he felt that perhaps his bluff had not worked and therefore he was turning to a new approach with consequent loss of face.

General Marshall said he had emphasized one point with the Generalissimo in his conference of yesterday morning. He had discussed the threat of Chou En Lai to publish the minutes and then told the Generalissimo that he was not certain that the Communists would make them public. Even if they did, it wouldn't particularly matter. However, he doubted that they have the intention to take this step. General Marshall emphasized to the Generalissimo that Chou En Lai's letter <sup>3</sup> was just one small piece of their propaganda effort involving a situation, Mr. Wallace's recent statement, Byrnes and Molotov at the Paris Conference, Gromyko's statement in the Security Council at Lake Success, etc. It was probably intended merely to create the suspicion that something in the minutes was being concealed.

The Generalissimo had said to General Marshall that he wanted to talk with his advisors to discuss the necessity or desirability of per-

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<sup>2</sup> September 26, p. 224.

<sup>3</sup> September 21, p. 212.



haps making a public statement. He also wanted to discuss this with General Marshall but first suggested that General Marshall think it over. General Marshall told the Generalissimo that he had been thinking it over and that in fact he had taken the liberty of preparing a draft statement for the Generalissimo's consideration.<sup>4</sup> The reasons General Marshall had taken this liberty were: First, he felt his position was more detached than the Generalissimo's, and, second, he wanted to illustrate the expression of an attitude of tolerance on the part of the Government and the avoidance of any irritating or provocative statements. General Marshall emphasized the necessity for avoiding provocative statements which would defeat the supposed purpose of the statement and would lead nowhere. General Marshall then handed the Generalissimo the draft of a statement in English and suggested that it be translated into Chinese before he considered it at his convenience.

Dr. Stuart confirmed that the Generalissimo had read the statement drafted by General Marshall and he had given it considerable thought. The Generalissimo had indicated he planned to put it out but there would probably be a few changes. Generally he liked the statement very much.

General Marshall thought Dr. Stuart might emphasize to the Generalissimo that the American mediators would have no part in the statement if it were not tolerant in its expressions.

Dr. Stuart suggested that it might be a good idea for him to see the Generalissimo's secretary and tell him that. General Marshall agreed.

Dr. Stuart then suggested that perhaps Mr. Fugh and Mr. Wang Ping Nan might go to Shanghai with a view to encouraging Chou En Lai to return to Nanking at an early date. Dr. Stuart stated that when he had given the joint letter to Wang Ping Nan, Mr. Wang had seemed very pleased that he had been sent for, was delighted with the joint letter, and seemed glad that the matter had been reopened. The Generalissimo had calculated that we ought to give Chou En Lai until Monday morning in order to allow time for relaying the joint letter to Yen-an and for Yen-an to send an answer back to Chou.

General Marshall stated that it was his belief that the Generalissimo ought to make the statement now, immediately, and not wait for Chou to come back. He suggested that Dr. Stuart, in talking with the Generalissimo's secretary, bring out the desirability of issuing the statement at this time rather than later, as well as repeating the need for it to be tolerant as opposed to being irritating and provocative.

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<sup>4</sup> *Supra*.

Marshall Mission Files, Lot 54-D270 : Telegram

*Mr. Walter S. Robertson to General Marshall*

[PEIPING,] 28 September 1946.

1053. Service is being requested on your 1561<sup>5</sup> which was garbled in transmission. However, enough is clear to indicate Chou En Lai is supporting Communist branch in refusing to hear two National Government witnesses. Overlooking his specious reasoning, no branch has right to refuse to hear testimony of any other branch as paragraph F of Procedure Agreement specifically provides that each branch may present such witnesses as it considers necessary to establish facts. The time for Chou En Lai to evaluate testimony of these witnesses is when their testimony has been given and not before. I recommend that you authorize American member to record their testimony to be included with his report.

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893.00/9-2946 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, September 29, 1946—11 a. m.

[Received September 30—4:40 a. m.]

1561. Communist spokesman Wang Ping-nan yesterday gave out to press he had received letter from me for transmission to Chou En-lai, Shanghai, but refused to divulge contents (this is invitation for Chou to return to Nanking and was in fact signed by General Marshall as well). Wang also said, Communists still insist on resumption three-man committee to discuss cease fire and that five-man committee is still unnecessary since "cease fire is prerequisite to solution all other problems".

Wang added that in case of govt. reorganization, Communists and Democratic League should get at least 14 seats in State Council in order to secure veto power.

STUART

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Mr. Walter S. Robertson, at Peiping*

[NANKING,] 29 September 1946.

1581. Concur in your recommendation to authorize American member to record testimony of the two Nationalist witnesses Reurad 1053.<sup>6</sup> Chou En-lai being informed of this action this date paraphrased as follows :

<sup>5</sup> September 26, p. 225.

<sup>6</sup> September 28, p. 242.

"To preclude further delay in the investigation of the Anping incident, Mr. Robertson has been directed to instruct the American member of the team investigating this matter to complete taking the testimony of remaining witnesses, and if required by circumstances, submit his own report in order to conclude his connections with investigating team."

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Mr. Tung Pi-wu and Mr. Wang Ping-nan, Communist Delegation, at No. 5 Ning Hai Road, Nanking, September 29, 1946, 10 a.m.*

Also present: Colonel Hutchin  
Captain Soong  
Mister Wu <sup>7</sup>

GENERAL MARSHALL: I received yesterday this memorandum (Chou's letter dated 27 Sept) from Chou En Lai. Also, Dr. Stuart told me of his conversations with you gentlemen yesterday and of your desire to see me today. Knowing what Dr. Stuart had already said, I see no immediate need for me to repeat that, so I wait your pleasure for whatever statements you may wish to make.

MISTER WANG: The original document was in Chinese. This is a translation which General Chou signed.

MISTER TUNG: In the past, General Marshall and Dr. Stuart have made many efforts to bring peace in China. Although I personally have not participated in the negotiations, General Chou has told me about them. General Chou is for the moment in Shanghai. He asked me to represent him and the Communist Delegation and to continue to confer with you. General Chou En Lai very much appreciates the letters you and Dr. Stuart have forwarded to him.

General Chou En Lai wishes to know if the Government has made any concrete explanations regarding the cease fire. From General Chou's and my view, the Government is planning to enlarge the civil war in those regions where civil war is going on; for example, in Northern Kiangsu and Shantung as well as Shansi. In those regions where war has ceased, such as Manchuria, the Government is driving toward new places such as Antung and Harbin. Also in Chahar, there was no war but now the Government has opened an offensive against Kalgan. Under such a situation, we do not see any expression on the part of the Government that it will exert itself towards a cease fire arrangement.

On June 25, General Marshall, General Chou En Lai and General

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<sup>7</sup> Presumably Wu Yu-chang, member of the Chinese Communist delegation.



Hsu Yung Chang and Yu Ta Wei had arrived at a tentative agreement. In this agreement it is prescribed that the regions occupied by both sides, Communist and Nationalist armies alike, should be evacuated; that is, their general status should be restored to conditions which existed prior to the January agreement. Later on General Chou told me that General Marshall had given him the impression from the Government that the Government had no intention to evacuate those places occupied by it.

Yesterday, Dr. Stuart told me that the informal Five Man Committee and the Committee of Three might be convened at the same time. I do not know the Government's view, but I have conveyed Dr. Stuart's idea to Shanghai for General Chou En Lai. This is the point upon which we want to confer with you today. We want to know what is the Government attitude at the present time. Our basic attitude is to bring about a cease fire, a cessation of hostilities.

In the past, the Communist Party was not sure of the Government attitude towards the cessation of hostilities. Therefore, they argued back and forth whether the Committee of Three or the Five Man Committee should meet first. It is over the issue of cessation of hostilities that the Communists are not sure what the Government attitude is. It is over that basic issue that they argue that the Committee of Three should meet first.

GENERAL MARSHALL: Regarding the word "basic", what is the interpretation given?

MISTER WU: That was the wrong word. I did not understand Mr. Tung's idea.

MISTER TUNG: When Dr. Stuart proposed the informal Five Man Committee, we said we were willing to participate on the condition that the Government would agree to issue a cease fire order. We would issue one too after an agreement had been reached in that Committee. Although General Marshall and Dr. Stuart have made many efforts toward bringing about peace, toward persuading the Government into accepting this condition, no reassurance has been obtained so we proposed to arrange for the meeting of the Committee of Three. Dr. Stuart said yesterday that the two committees can be convened at the same time. We do not know if the Government agrees to that or not, we do not know if the Government has made any definite expression regarding that point.

GENERAL MARSHALL: I appreciate the detailed statement you have just made.

First, in reply, I would say that I have only had one conference with the Generalissimo since his return and that was immediately after his arrival. I went over the entire situation with him at that time and made my best efforts to persuade the Government to an action

which I thought would lead to a peaceful settlement. He did not give me a reply, but told me he would consult with his staff and then talk to me later. Included in my proposal was a simultaneous meeting of both groups, the Committee of Three and the Five Man Group.

Later the same day, he saw Dr. Stuart and talked to him. Dr. Stuart, I believe, has given you the benefit of that discussion. I do not know accurately, but I believe the Generalissimo either talked to his Supreme War Council yesterday or was going to do so this morning. That is as much as I know of definite facts regarding the Government.

Now, with reference to my last statement, I wish to say to you (indicating Mr. Tung), as I have already said to Mr. Wang Ping Nan, that I have been very careful to bring from the Government or the Generalissimo, an exact understanding so far as I could obtain it. It has often been disagreeable information, but I have made a very careful effort to avoid all misunderstandings.

There was one recent example where a general statement by the Generalissimo appeared very favorable and Dr. Stuart gave it to General Chou and, through him, to you gentlemen. However when General Chou came to me, I gave him all the qualifying terms which I had obtained by very close questioning of the Generalissimo. My endeavor has been to give the exact intentions and exact meaning of the Government to avoid any possible confusion and irritation. In the same manner I have given the Government, as nearly as I could understand them, the exact proposals of the Communist Party and their intentions. I mention this because I notice in your propaganda regarding me personally, I was attacked for bringing disagreeable news from the Generalissimo. That was a stupid piece of business.

In all of these negotiations I think it is most important, I mean "most" important that you keep clearly in mind what are the basic difficulties with which Dr. Stuart and I have to contend, and which at the present time are blocking all of our efforts. For that reason, it is very difficult if not impossible to make a logical deduction from the various facts unless you have at the same time carefully analyzed the basic difficulties to which I wish to refer now.

At the time of my first negotiations in Chungking in early January, the trouble as I saw it then was that on the Government side a fairly numerous and a powerful group were convinced that the Communist Party did not intend to go through with any agreement they might make for the organization of a coalition government. They asserted time after time that it was the purpose of the Communist Party to disrupt the Government in favor of Soviet Russian influence. I have stated that specifically because it comes right down to the present day.

I took the opposite point of view and accepted the sincerity of Gen-

eral Chou's statements and of the intention of the Communist Party to enter into a coalition government. I was accused first of knowing too little about China, too little about the Communist Party, and I was attacked under cover here and directly in the United States by members of the Kuomintang Party for misleading the Government. That continued until very recently and only ceased because of the Communist propaganda against me personally. But the resistance to my view continues unabated.

Now on the other side, I felt that I recognized the Communist feeling or fears that the Government did not intend to have a genuine coalition government, that it was maneuvering for a military superiority which would crush the Communist Party, and that it would continue to employ Kuomintang secret police, Government secret police, railroad guards, etc., to suppress political meetings of the Communist Party and practically destroy the body of the party. At that time I recognized the organized demonstrations which were hostile to the Communist Party and which indulged in violence against Communists in Chungking, Peiping, and possibly other places. And I made a public statement of that at the time of the signing of the agreement of February 25th. I felt then that this particular group in the Kuomintang Party was trying to incite the Communist Party to some retaliation in order that they could accuse the Communist Party of specific acts indicating that they intended to break their agreements. I therefore asked General Chou to refrain from any retaliatory statements or other acts of retaliation, which he did very successfully at that time. So we had a brief period of apparent acceptance of good faith and of very solid agreements. But with my departure for the United States, there began a series of steps by one side or the other which rapidly mounted up to a complete disruption of all that we had struggled to achieve. The missteps, or bad judgment, were displayed successfully by both sides until we now have reached the present tragic situation.

Now I have not only been working to see that a coalition government was established but one which removed the arbitrary power of government from one party and evolved a democratic set-up. This naturally under any circumstances would be vigorously opposed by those who were going to lose power and position. I was also involved in persuading a considerable group in the Government, political and military, to a course of action that they felt was perilous for China because of their conviction that the Communist Party's purpose was to disrupt the Government and not to cooperate in the Government.

You are familiar with the actions of the Government which you felt were in violation of our understandings, such as Tu Li-ming's early operations in Manchuria and the refusal of the Government to admit



teams into Manchuria, such as continued Government advances after they occupied Changchun, and the active operations carried out in Shantung the latter part of June. You are also familiar with the statements credited to Government leaders, and to the Generalissimo himself, that a policy of force was the only practical procedure. I won't go into the details of those factors because you are already familiar with them. I merely want to remind you of the series of events which greatly weakened my position in dealing with the Government and which continue to be held up to me time and again.

The first error, as I told you the other day, I thought, was an inexcusable one which has weakened your position ever since. It was your failure to submit that list of troops in three weeks in keeping with the February 25th agreement. That immediately confirmed the assertions by the irreconcilable members of the Kuomintang. Its issuance could not possibly have done you any harm. The refusal to submit the list was apparently used as a political weapon but frankly, I think it was a tragic error of judgment, because it was a direct and serious violation of a very recently signed agreement. Now I am not comparing that refusal to the refusal to submit a list of delegates to the State Council or to the National Assembly scheduled for May 5th. I am not comparing the two acts. The reasons were quite different. I could understand something of your hesitancy at that time regarding the delegation for the National Assembly.

The next serious error, though not as great as the failure to submit that list, was the attack on Changchun. That was a serious error because it was utilized to force a course of political action which meant that later the Government would probably utilize a similar success to force their desired course of action and would excuse it accordingly.

The last of these overt series of mistakes, as I see them, were the offensive operations in Shantung after June 8. I had had the greatest difficulty in persuading the Generalissimo to agree to the truce arrangement of June 7. I had tried to have him take that action while he was in Mukden but his generals there had evidently over-persuaded him against my recommendations. I finally got him to accept my recommendation on June 7. Then in a five day campaign in Shantung, from June 9 to June 14 or 15, you about wrecked everything I was trying to do. I begged General Chou to halt the operations somehow or other because it was inexcusable. He never gave me any explanation about it, so I assume that probably matters had gotten beyond control; but it wrecked almost everything I was trying to do to restore peace to China. It was threatening key points of the Government at Tsingtao and it was in direct violation of a truce that was only a few days old.

Now I ask you also to have in mind that my representations to the

Government have been, in effect, the opposite of what I have been representing to you here now. I have taken every one of their actions which I thought were wrong or inexcusable and emphasized them, perhaps even more than I am now doing regarding the Communist actions; because I thought the Government in its position was the more responsible, and with its more effective communications, it could more easily control its people; but also because there were Government leaders who were making provocative public statements which in effect discredited, or certainly discouraged, what I was trying to do. I told General Chou the other day that I seldom had a pleasant conversation—that my interviews were always disagreeable, I sit in the middle and I get nothing but the disagreements, the unpleasant aspects of the situation. At each conference all of the objectionable acts of the other party are brought forward and I have to characterize them one way or another.

I have made this lengthy statement because it is the first opportunity I have had to talk to you direct. I am doing it in the effort to have you understand what is in my mind and also to give you the picture, as I see it, of what is in the mind of a number of Government leaders—you know what is in your own minds.

Now, under these circumstances, in early August, Dr. Stuart and I found ourselves at a complete impasse regarding the military settlements. We sought for some way to open up a new lead to provide us with a basis for bringing hostilities to an end. The Generalissimo insisted that the Communists must agree to evacuate the region from Hwaian north to the Lunghai railroad. He insisted that the Government would take over the local governments—the magistrates. The Communist Party did not agree. I tried to break that deadlock by finding some compromise regarding the question of local government. The last proposal as I recall was that in those hsien which had been under Communist control prior to the Japanese invasion, the governments would continue under Communist officials until the State Council had settled the issue. General Chou explained to me that such a partial adjustment was dangerous because it would be applied to all the Communist occupied areas whereas that was to be settled under the PCC on a political basis and not in connection with military negotiations.

In the effort to break that deadlock I arranged for General Chou to see the Generalissimo personally. I had hoped that only those two would be present so that they might have a freer interchange of views and get some confidence in each other; in the sincerity of the other's views. I have been struggling all along to find some way to create confidence of one side in the other, some degree of confidence or trust which is absolutely necessary if agreements are to amount to anything.

You are familiar with the small group convened at that time which got nowhere, though the Government representatives did suggest the proposal for a compromise arrangement regarding local governments. We had the same disagreements about the city of Chengteh. There was some disagreement regarding the Tsingtao railroad, but I did not regard that as a serious matter for adjustment. There were also the matters of the local government in Hopei and a portion of Jehol and in Antung. Again, I did not regard those as too difficult of adjustment. But we found ourselves in a situation of a complete impasse and the fighting was growing more and more serious. It was then that Dr. Stuart and I turned to the question of this Five Man Group. It was our understanding that General Chou had finally accepted the proposition of going ahead with that meeting without a flat statement that the cessation of hostilities would be automatically determined at the close of that meeting. General Chou does not agree with us on this—the misunderstanding is merely a matter of opinion, but I mention it so there will be no confusion in your minds as to the Government attitude. It was Dr. Stuart and I who misunderstood, not the Government. We were struggling to produce some evidence of good faith on both sides to give us a lever sufficient to effect an agreement for the cessation of hostilities. Then the situation completely reversed itself—the Generalissimo who had been difficult to persuade to agree to the Five Man meeting now insisted on the Five Man meeting, and General Chou who we thought had agreed now insisted on the Committee of Three. If it wasn't so tragically serious, it would be amusing.

Now, by all the logic that Dr. Stuart and I can command (I mention him frequently because it is a reassurance to me when I can find a man who knows China as well as he does and knows you people as well as he does, to be in agreement with me) it appeared greatly to the advantage of the Communist Party to go through with this meeting of the Five Man Group rather than to prolong the discussion while the military operations grew more and more serious. Meanwhile, to add to the difficulties, we have had a tornado of propaganda which has done much to influence both sides. Propaganda for the purpose of influencing public opinion is one thing, but when the propaganda influences Government leaders or the party leaders, that is another. I find that even General Chou is influenced in his position by the provocative statements of the Government leaders and I find the Government people similarly influenced by the provocative statements of the Communist propaganda. Now when a leader bases the logic of his actions on propaganda, which is notoriously inaccurate, you have an impossible situation on your hands. I find both sides reacting to this mess of misinformation which is being put out to influence others.



The theory, of course, of propaganda is that if you repeat a statement often enough, the people will believe it. Here a situation has developed where the leaders responsible for the propaganda have begun to believe their own propaganda, and are basing their considered actions accordingly.

Let me give you one example that is now widely circulated. I am talking about this Surplus Property transaction. I hardly expect you to believe what I am about to say because your suspicions are possibly too great for that. The fact of the matter is that I have never discussed surplus property with the Generalissimo or any military leaders in the Government. They have never brought any pressure to bear on me in regard to the matter. My only discussions had been with Dr. Soong and they had been entirely directed toward what reduction would be made below the original cost. What per cent of interest would be paid on any debit established? What allowance would be made for the cost of handling the property in the far-off Solomon Islands, New Guinea and such places where no labor was obtainable? What allowances, if any, would be made by the length of time it would take to evacuate the property and for the deterioration from the tropics that would ensue? What restrictions could I have imposed to prevent the War Department and the Navy Department in Washington from drawing upon this property and moving it back to the U. S.?

There was never a word said by Dr. Soong in urging an early settlement. To the contrary, it was my duty in presenting the interest of the U. S. Government to urge that this matter be settled and gotten out of the way. These discussions went on from last January down until this August. The Chinese Government could have settled this in February or March or April or May, but they were trying to drive the best bargain they could and we were confronted by many intricate complications in the handling of the materiel.

It came to a head in August merely because we were closing out all surplus property negotiations outside of the United States. The head of that activity, Mr. McCabe, came out here to finish this affair and then to resign having completed his job in Europe and in the Pacific. Representatives of the War and Navy Departments came out here, not at all with regard to China, but to insure that Mr. McCabe's negotiations would not be upset by the War and Navy Departments after he returned to Washington because of their habit of taking over certain portions of this property.

This deal had to be completed then, or China thrown out of any further consideration. It could not be delayed. We would have had to go ahead and sold the cream of that property to other Governments—the Dutch, Australians, New Zealanders and maybe up to

Japan—and allowed the rest to deteriorate or to dump it in the ocean. It could not be put in abeyance while a struggle here for 18 years prolonged itself into, we know not, how many months or years. We either had to deny China—that is, deny the people of China—the economic opportunity that should finally result for the rehabilitation of the country through the proper handling of this property or go ahead as we did for the benefit of the people of China. It can have little, or no, relation to this present military situation. It will be months and months before they really can bring anything in through the port of Shanghai. The point I want to make is that the Government never pressed for a conclusion; they would probably have been willing to drag out these negotiations, but we would not do that. The propaganda converts this 800 million dollar program into a tremendous support of a military campaign which it was and is not at all.

That propaganda effort is quite a little bit like that regarding the lend-lease procedure in the U. S. which came almost entirely from my effort in Washington when I was home to get the matériel for your 10 divisions and I have been slapped in the face with that ever since, but I got it. This [for?] your 10 divisions at the end of the 18 months period. I felt a moral responsibility to see that such matériel would be available. I organized this Military Advisory Group without waiting for the authority of Congress, to provide me with a staff to work out the details for the Communist school at Kalgan which was to have started April 15 and which General Chou asked to have delayed until July 1 and for which I had accumulated the necessary matériel in Peiping.

I wish to conclude this lengthy statement by saying that if your purpose is sincere in the desire to go ahead and participate in the reorganization of the Government, and is naturally accompanied by a desire for the cessation of hostilities, I think you must endeavor to quite some of your suspicions and some of your fears sufficiently to enable us to make a new start. Dr. Stuart and I are endeavoring to secure the same reaction from the Government. The whole struggle is one of a lack of trust and suspicion of insincerity and of evil intent.

I think I know exactly how you feel regarding the menace of the secret police and how you feel regarding the suppression of freedom of expression. I have expressed to you how the Government feels in its suspicions and in its fears. Now we Americans have been sitting in between, trying to establish some basis of action that would demonstrate good faith on both sides and we are defeated by suspicion and defeated by fear.

You can well understand without my commenting on it, the effect of the present Russian propaganda. It certainly doesn't help us in any settlement out here. It merely fortifies those members of the Kuomin-

tang Party who have opposed me from the start and makes them that much harder for me to deal with. That is a fact regarding which we can do nothing, but I ask you to have it in mind when you are dealing with the Government in your efforts to reach some acceptable compromise.

I have endeavored to exercise sufficient pressure on the Government to prevent repetitions of the Kunming affair, and particularly demonstrations such as that at the Nanking railroad station, and the threatening surveillance in Shanghai. I cannot prevent, nor do I think the Generalissimo can entirely prevent, the provocative statements of certain leaders, particularly military leaders. I know for a fact he has deplored many of these statements and reprimanded the individuals.

But you must remember that these individuals are absolutely convinced that the Communist Party is not to be trusted, that they are afraid the Generalissimo will make dangerous concessions and they come out into public speech accordingly. When you are weighing such provocative statements, don't forget that you issue in English from Executive Headquarters, which I created and which has for its purpose mediation and peaceful adjustments, that you issue provocative statements and also attacks on me personally, utilizing Executive Headquarters for that purpose.

Have that in mind when you get mad at the other man.

I have given you everything in my power to facilitate your movements about China, your communications and your matériel for that purpose: I have virtually forced the Government for agreements for your communications, etc., to facilitate your business. I think the only hope for the present situation is to bury some of these suspicions and irritations for the moment in the effort to find some basis of compromise without continuing to delay and allow the military situation to go from bad to worse. I can assure you of my most honest efforts to influence the Government to that end. I have been just as frank with them as I have been with you. If there is any action on the part of the Government that I have thought was wrong or unjustified, I have just as plainly indicated that as I have these various illustrations of what I thought were Communist errors.

As I told Mr. Wang Ping Nan the other day, if you have lost confidence in me, you should say so and I will withdraw immediately. I was told the other day that the Chinese procedure would be for both sides, whatever their intention, to go along with me in order to save my face. I am not interested in face, I am only interested in peace in China. Dr. Stuart, I hope, commands your confidence and I know he will be untiring in his efforts to find some basis of settlement. He may not be quite as brutally frank as I am, but you cannot possibly question



his integrity or honesty of purpose unless you have lost all faith in human nature.

Now I repeat again that the Generalissimo did not give me his reaction to my proposal or proposals which included the meeting of both the Five Man Committee and the Committee of Three, but I presume that he will after talking to his people.

I ask you to acknowledge to General Chou that I received his memorandum and I appreciate it. I have had great respect for General Chou's personal integrity. I apologize again for the length of this statement but it is my first opportunity to talk to you and I wanted to put all my cards on the table. I want you to have no doubt about what was in my mind. I had no ulterior motive of any kind unless it's peace in China. That may be impossible to believe in this year of international bickerings. My one hope in the matter is to establish some trust. I fought the war on that basis and finally arrived at a situation where the other Allied officials came to believe that I was not scheming for the advantage of the United States. It was very difficult for about a year and a half to reach a point where the sincerity of my purpose was unquestioned.

MISTER TUNG: We are very appreciative of your long statement regarding your views. Your frankness and sincerity has moved us a great deal. The views you have spoken to us and the mistakes on our side you have pointed out, belong to the past. These points—the Communists did not hand in the list of their divisions, the incident at Changchun, and also the serious incidents in June—all these points you have already told to General Chou En Lai. Our interpretation of these incidents has already been given to you by General Chou. I am not going to make any more statement or argument regarding these points at this time. Regarding the issue of propaganda, I think you have it very clear because in the past we have for two times made an agreement on cessation of propaganda with the Kuomintang, once in Chungking and again in Nanking.

GENERAL MARSHALL: I confirm that.

MISTER TUNG: The Kuomintang Party has every facility for propaganda. For example they have all radio stations, Central News Agency, and other kinds of facilities. Because they have all these facilities they will not enter into an agreement with us regarding cessation of propaganda. Regarding the statement you have made on repeated propaganda, the Government side has repeated its propaganda time and again and at last they believe it themselves.

GENERAL MARSHALL: I agree with that. That is what I said.

MISTER TUNG: Regarding the problem of surplus property, there are some kinds of events in the world that have originally no bearing upon another event at all and they may happen at the same time and

may have a strong influence on each other. This issue of surplus property is just one of the examples. According to President Truman's statement last December, no financial aid would be given to China pending a coalition government, and now the surplus property, although not viewed from the military angle, is a financial aid to the Chinese Government. In view of the fact that a coalition government is not organized but a civil war is going on, it does form financial aid to the Chinese Government. We have sent forward to you a memorandum<sup>8</sup> requesting you to convey to the United States Government our desires for a step more favorable to the Chinese situation.

GENERAL MARSHALL: I did.

MISTER TUNG: Regarding the consideration in the present struggle that each side should form a basis of mutual confidence and should get rid of mutual suspicion, I think that must be a factual expression and not only a verbal agreement.

GENERAL MARSHALL: That is the reason for the Five Man Group—that is exactly [why] we proposed it.

MISTER TUNG: We understood that if upon reaching some sort of agreement by the Five Man Committee, automatically the Government would issue the cease fire order. Now we find that the Government will not give the Communist Party any guarantee to issue such an order. The Government wants the Communist Party to issue orders while they will not give a guarantee to issue orders. That is not logical.

MISTER WANG: I would like to point out that it is not an issue where the Communist Party has accepted the proposal and reverses to their decision to participate in the Five Man Committee. It was the misunderstanding of where they understood the Government was going to issue the order. We do not want the U. S. mediators to have the impression that we are reversing our decision because we never agreed in the first place. We thought the Government would give such a guarantee. If at that time, the Government could have promised that they would give the guarantee that the cease fire order would be published upon reaching an agreement by the Five Man Committee, that group would have started a long time ago.

MISTER TUNG: I think if you would review all the records of the meetings, it would verify that. General Chou suggested the meeting of the Committee of Three because that organization deals with the military situation. It is of paramount importance that we should stop these military operations immediately because it is through the military situation that the situation changes from day to day. The Committee of Three, of which General Marshall is the chairman, is not broken

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<sup>8</sup> See telegram of August 27, p. 1052.

up, but is just merely in adjournment. We think that if you could reconvene the Committee of Three, and you could promote peace in China and lead China on the road to democracy. We have confidence in your role of mediation.

GENERAL MARSHALL: I would like to interrupt here to say that I have never had a meeting of the Committee of Three that I had not previously ascertained from both parties sufficient information to make me feel that the meeting of the Committee of Three would be successful. Whatever prestige and confidence the Committee enjoys is because of its success in reaching agreements. We had discussions for over a month before we had the meetings in June and in two or three days we reached agreements on all but those few points I mentioned before. I have felt that if the Committee met under the present circumstances and failed that it would be the end of the Committee, the Executive Headquarters and the end of mediation.

I am very glad to have had Mr. Tung's views and I appreciate the tolerance and moderation with which he has expressed them. The points I brought up about the Communist errors were not for the purpose of discussing them again, but merely to explain that in all of my present discussions with the Government, they are brought up, as I said, time and again to confuse me and my efforts. Mr. Tung states that the difficulties are all of the past, but they remain with me every day in the present. The Chinese have no difficulty in going back in their memories two thousand years back to Confucius, so they have no difficulty whatever in going back a few months to the performance in Manchuria, Jehol and Shantung. I don't think the translation of Mr. Tung's remark about confidence and good faith was accurate because I was sure he did not think that I felt that you could wipe out all distrust and suddenly replace it with complete confidence. It will take many years to establish confidence between the two parties. What I have been struggling for is enough of mutual confidence to enable us to terminate hostilities.

I have just had handed me a note that the Central Daily News Agency has come out with either a speculation or a direct statement, I don't know which, that the Government is going to agree to a simultaneous meeting of the Committee of Three and the Informal Five Man Committee.

MISTER WANG: That was carried in the Central Daily News paper this morning.

GENERAL MARSHALL: Considering that Dr. Stuart and I recommended that to the Government and no one else, they must have gotten the information from the Government. It wasn't a Government suggestion.

MISTER TUNG: As soon as you get some official reaction from the Government we would appreciate it very much if you send it to us. In



the meantime, we will immediately transmit the main contents of your remarks to General Chou.

Meeting adjourned at 1215.

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Marshall Mission Files, Lot 54-D270

*Notes by General Marshall of Meetings With Generalissimo Chiang Kai-shek on September 28 and 30*

On his return to Nanking from the summer absence I called on him at his house at 11 o'clock on the 28th, outlining the situation at that time. General Chou En-lai remained absent in Shanghai and insisted upon a meeting of the Committee of Three before any other meeting should be held; in other words, that an agreement for the cessation of hostilities should first be reached before entering into negotiations regarding the reorganization of the Government. The Generalissimo briefly discussed the situation and stated that he must be prepared for one of two courses of action—one, if General Chou refused to return to Nanking and negotiations were terminated and the other what action the Government should take to break the present stalemate. He thought that some public statement by him would be advisable and that he was giving careful thought to the matter. He stated that he wished that I would consider such a course of action and give him the benefit of my advice.

I replied that I had already considered such a course of action and had taken the liberty of preparing a statement<sup>9</sup> (copy attached) which I thought he might well make. I stated that my principal purpose in preparing such a draft at this time was to illustrate what I thought should be the attitude of the Generalissimo at this moment in the negotiations. I felt that whatever is said there should be an evident spirit of tolerance and a careful avoidance of provocative or irritating statements. I also felt that it was necessary that definite positive action be proposed rather than the usual course of generalities. I suggest that it would be best for him to have my draft translated into Chinese so that he could read it at his convenience and discuss it with me later. He expressed pleasure over the fact that I was ready with a proposal, and I then withdrew.

The evening of the same day, General Yu Ta Wei, my liaison with the Generalissimo, called to discuss the statement and have me explain just what was meant by its various expressions. I made clear that it was intended that if the Communists expressed agreement to the general terms and procedure indicated, that hostilities should cease immediately and the discussions by the Five Man Committee and the Committee of Three should be opened.

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<sup>9</sup> Draft of September 27, p. 238.

A day later, the Generalissimo requested my presence at his house at 11 o'clock. He stated that he had given careful consideration to my draft, but he felt that it should include a statement that the several agreements indicated should be completed before there could be a cessation of hostilities. In other words, the Committee of Three would have to reach a complete agreement on the redistribution of troops and for the demobilization and integration of the armies before there could be any termination of the fighting and that the Five Man Committee would likewise have to reach an agreement before there would be such a termination. I replied that this would completely cancel the entire purpose of my proposed statement and that rather than amend or qualify the paper as drawn an entirely new approach should be considered. He asked me if I had such an approach in mind and I told him I did not, that I had included in this proposed statement conditions which I thought sufficiently protected the Government and which I also thought might well be accepted by the Communist Party. I added that his proposal would in effect transform the statement, in which I had endeavored to place him on a high level before the world, into a procedure which was merely a prolongation of what we would call "horse-trading".

The Generalissimo then stated that he thought the time for such a statement had not arrived and that he wished me to convey to the Communist Party his willingness to accept "my proposal" for a simultaneous meeting of the Five Man Group and the Committee of Three. I replied that in the first place, I thought such a proposal would lead to no solution and further that I would not carry such a message orally to the Communist Party. If it was given to me in writing I would transmit it without remark, but that the proposal was not to be referred to as mine since the procedure indicated was merely one piece of a general proposal, the other and vital portions of which had been omitted. I stated that I not only thought that his proposal would lead to no agreement for the termination of hostilities, but that I could not continue under the circumstances in my role as a mediator and I would be forced to report to my Government that I should be relieved of further responsibility in this affair. I also stated that if the written proposal was given me for transmittal to the Communist Party that he should instruct the Minister of Information, Mr. Peng, to avoid any reference to this proposal as mine and that if Peng did so, as had occurred in the past, I would officially deny it. This terminated the interview.

I had dinner with the Generalissimo on the evening of the 30th and while it was not a business meeting, he stated to me before my departure that he had decided not to release any public statement at this time regarding the simultaneous meeting of the two committees.

XIII. KALGAN CRISIS: KALGAN TRUCE EFFORTS; GENERAL MARSHALL'S THREAT TO END MEDIATION; COMMUNIST REFUSAL OF 10-DAY TRUCE; GOVERNMENT'S CAPTURE OF KALGAN (SEPTEMBER 30-OCTOBER 12, 1946)

893.03/9-3046 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, September 30, 1946.

[Received October 1—3:48 a. m.]

1564. Communist spokesman Nanking September 30 announced Communist delegation September 29 formally rejected Government request to submit names of delegates to National Assembly scheduled to convene November 12. Spokesman said rejection was sent in letter to Chang Li Sheng, head of National Assembly election department, which also stated Communists could not participate since decision to hold assembly was taken unilaterally rather than through inter-party consultations in accordance with P.C.C.<sup>10</sup> resolutions.

Democratic League representative has informed United Press the League will take a similar stand.

STUART

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Marshall Mission Files, Lot 54-D270

*Memorandum*<sup>11</sup> by General Chou En-lai<sup>12</sup> to General Marshall

SHANGHAI, 30 September 1946.

DEAR GENERAL MARSHALL: Since the interruption of the talks during the June armistice, the Kuomintang Government thenceforth not only went further in ignoring all the previous commitments, but also tore the Cease Fire Agreement of January<sup>13</sup> to pieces, and launched a large-scale drive in China proper. During the last three months they have occupied many cities, destroyed the popularly-elected local administrations of many a place, made ruthless air raids into Liberated Areas, killing and wounding countless civilians. They further advanced the insensible five-point demand<sup>14</sup> setting forth the withdrawal of Communist troops and popularly-elected local administrations from a number of areas. When the Chinese Communists rightfully rejected their proposition on account of its incompatibility with

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<sup>10</sup> Political Consultative Conference.

<sup>11</sup> Text published by New China Times Agency on October 1.

<sup>12</sup> Head of the Communist delegation in discussions with General Marshall and the Chinese Government.

<sup>13</sup> January 10, vol. ix, p. 125.

<sup>14</sup> See record of conference at the Embassy at Nanking, August 6, *ibid.*, p. 1452.



the basic principles of the PCC Joint Platform,<sup>15</sup> they threw their military drive into high gear, in order to achieve this demand by force, and aggrandize their occupation.

Thus, apart from taking away a series of places from the Communist-led Liberated Areas in Hupeh-Honan, north Anhwei, north Kiangsu, Shantung, Shansi, Hopei and Jehol, the Kuomintang authorities then used the Communist siege over Tatung as an excuse for making the announcement that they would launch ruthless drives for capturing Chengteh, Kalgan and Yen-an. What then happened was that Chengteh was soon occupied by them, followed by such key cities like Tsining and Fengchen along the Peiping-Suiyuan rail line. Actually the Communist campaign around Tatung is merely calculated to divert the attacks launched by the Kuomintang troops in Shansi under Yen Hsi-shan and Hu Chung-nan, and as such it is of a besieging nature. Most recently the Communists even announced the formal lifting of the siege, thereby freeing Tatung from any kind of menace.

On the other hand, the Kuomintang troops are still up to the neck engaged in enlarging their occupation in Jehol and east Hopei. Most significantly, at this moment, a three-pronged attack is being formally launched against Kalgan. It thus became obvious that the Kuomintang Government shows even no hesitation to strike against one of the political and military centers of the Communist-led Liberated Areas—Kalgan—, in order to force the Kuomintang-Communist relation into the perilous state of an ultimate break.

Now I am duly instructed to serve the following notice, which, I request, you would kindly transmit to the Government: If the Kuomintang Government does not instantly cease its military operations against Kalgan and the vicinity areas, the Chinese Communist Party feels itself forced to presume that the Government is thereby giving public announcement of a total national split, and that it has ultimately abandoned its pronounced policy of peaceful settlement. When reaching such a stage, the responsibility of all the serious consequences should as a matter of course solely rest with the Government side.

[Signature in Chinese]  
(CHOU EN LAI)

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<sup>15</sup> For texts of Political Consultative Conference resolutions, see Department of State, *United States Relations With China* (Washington, Government Printing Office, 1949), pp. 610 ff.; for correspondence, see vol. ix, pp. 131 ff.

Marshall Mission Files, Lot 54-D270

*Notes on Meeting Between General Marshall and Dr. Stuart<sup>16</sup> at  
No. 5 Ning Hai Road, Nanking, October 1, 1946, 9:40 a. m.*

Also present: Lt. Col. Hutchin<sup>17</sup>

Doctor Stuart opened the conversation by stating that he had been thinking over the present deplorable situation in China and that he now had a suggestion to make. His suggestion was that he and General Marshall urge the immediate and simultaneous meeting of the two committees and that they urge General Chou En Lai to return to Nanking for these meetings or invite Tung Pi Wu<sup>18</sup> to take his place. The Five Man Committee meeting<sup>19</sup> could be held in the morning and the Committee of Three<sup>20</sup> could be held that same afternoon.

General Marshall told Doctor Stuart that General Yu Ta Wei<sup>21</sup> had called on him the day before primarily to discuss the conditions under which the Government would consent to enter into a meeting of the Committee of Three and the informal Five Man Committee. Yu Ta Wei reiterated what he thought was the key to the situation and that was the locations and dispositions of the 18 Communist divisions.

General Marshall did not agree with Yu Ta Wei that this was the key to the present situation. He believed that there were several more important matters pertaining to the PCC agreements.

General Marshall was more emphatic in this discussion with Yu Ta Wei than he had intended to be. During the conference, the Generalissimo<sup>22</sup> called Yu Ta Wei to the telephone to discuss a press announcement of the Government proposal for a simultaneous meeting of the two committees to be made that evening.

General Marshall told General Yu Ta Wei that he would agree to participate in the meetings of the Committee of Three, but he didn't think the Communists would agree to the simultaneous meetings or that they would succeed under the conditions to be imposed by the Government. If the meetings did not succeed, that is, if they resulted in a stalemate General Marshall was finished. He would not continue to go along in further delays and long dragged out pro-

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<sup>16</sup> J. Leighton Stuart, Ambassador in China.

<sup>17</sup> Claire E. Hutchin, member of General Marshall's staff.

<sup>18</sup> Member of the Chinese Communist delegation.

<sup>19</sup> Proposed by Ambassador Stuart in July to arrange for setting up the coalition State Council.

<sup>20</sup> Set up early in January to arrange for truce and to settle other military matters.

<sup>21</sup> Chinese Minister of Communications and liaison for Generalissimo Chiang Kai-shek with General Marshall.

<sup>22</sup> Chiang Kai-shek.

cedures leading nowhere. He would not become a party to the Government's evident delays in negotiations while proceeding with a Kalgan campaign against the Communists. He could not sit in these meetings in good faith while such activity by the Government was under way.

Doctor Stuart agreed with General Marshall that probably Yu Ta Wei was the man that had spoiled the latest hope for real progress, although, of course, Chen Li-fu<sup>23</sup> probably helped some.

General Marshall was turning over in his mind notifying the Generalissimo that the present procedure put the United States in an untenable position which could no longer be accepted, that therefore he was considering withdrawing from the present negotiations. General Marshall expressed grave concern for the latest turn of events, especially considering that he felt that he and Doctor Stuart were, in effect, being made "stooges."

Doctor Stuart reported that last night he had for dinner Chang Li-sheng and Wu Teh Chen, who are the Nationalist members of the Committee of Five, and also Shao Li-tse,<sup>24</sup> and that he spoke to them with great frankness about the American position in China. He pointed out the strain now put on the American Government and General Marshall's responsibilities for protecting the position and integrity of the United States Government. He told them that the situation was intolerable and that they could not continue to be a party to negotiations if the present situation continued. It might be necessary to even withdraw American mediation and, in turn, other American support to China. Naturally there would have to be a statement as to why it was done.

General Marshall then stated that his 24 hours of waiting would be up tonight. He stated that if the Government came to him with a letter for the Communists he would transmit it but he wouldn't carry any verbal message. General Marshall's inclination was to force the Government leaders to back down on some of their contentions. He thought it was important that the Generalissimo learn that the American mediators were now the ones who are adamant. The Generalissimo has been going along for three months now with his campaigns. Perhaps the best idea would be to send some sort of a memorandum to the Generalissimo<sup>25</sup> late this afternoon, informing him that General Marshall had practically come to the conclusion that the United States Government could no longer continue to be a third party to the present procedure. It was now apparent that the Chinese Gov-

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<sup>23</sup> Member of Kuomintang Central Executive Committee and Minister of Kuomintang Organization Board.

<sup>24</sup> Secretary General of the People's Political Council (PPC).

<sup>25</sup> See memorandum OSE 476 by General Marshall to Generalissimo Chiang Kai-shek, October 1, p. 267.



ernment was no longer in a dangerous military position, the campaign for Kalgan could not be justified except on the basis of all-out war. He (General Marshall) could not put himself in the position of mediating during a continued series of military campaigns. He must have some real and positive assurances from the Government that there was a reasonable basis for a compromise which offered the possibility of success. General Marshall thought he might add in the letter that otherwise, it would be necessary for him to recommend to Washington that the United States should now terminate its efforts of mediation, the Executive Headquarters, and suspend the activation of the Military Advisory Group.

Doctor Stuart said that he certainly agreed with General Marshall's idea of sending a letter to the Generalissimo at this time. Doctor Stuart suggested that something be included to the effect that the American course of action was based upon moral grounds, that it was absolutely indefensible for the United States to continue mediation when no grounds existed for a possible settlement. Doctor Stuart thought the letter might mean more on moral grounds than material, more on the moral inconsistency of our position rather than severing all aid to China.

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Messrs. Tung Pi-wu and Wang Ping-nan, Communist Party Delegation, at No. 5 Ning Hai Road, Nanking, October 1, 1946, 10:05 a. m.*

Also present: Lt. Colonel Hutchin

Mr. Wu <sup>26</sup>

Capt. Soong <sup>27</sup>

MISTER TUNG: I received a memorandum this morning instructing me to transmit a memorandum <sup>28</sup> to you.

GENERAL MARSHALL: Yes, I have it here.

MISTER TUNG: The last time I had a conversation with you, I laid emphasis on the point that the Government attack against Kalgan is very serious. Since the breakdown of negotiations in June, Government troops have successively attacked Communist areas and have succeeded in occupying many cities and towns. The areas in which the Government forces have staged offensives are Hopeh, Shansi, Northern Kiangsu, Anwhei, Shantung, Jehol and Southern Shensi. The Government said it would open attack on Chengteh, Kalgan and Yen-an on the pretext that Communist forces besieged the city of

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<sup>26</sup> Presumably Wu Yu-chang, member of the Chinese Communist delegation.

<sup>27</sup> Capt. John L. Soong, U. S. Army, interpreter for General Marshall.

<sup>28</sup> Memorandum by General Chou En-lai, September 30, p. 258.

Tatung. We besieged Tatung because our forces were attacked in Southern Shansi. Therefore that action must be regarded as a counter-measure.

Under the aforementioned pretext, the Government has occupied the vicinity of Chining and some other cities in Eastern Suiyuan. We have already announced the lifting of the siege on Tatung, but the Government has not, as yet, ceased their offensive on the aforementioned places. During this period, the Government has occupied almost all the cities in Eastern Hopeh which originally were under Communist jurisdiction.

The Government has already opened a three-pronged attack on Kalgan. On account of this attack, the field team in Kalgan has been withdrawn. In Government newspapers yesterday, it was publicly announced that Government forces have opened an attack on Kalgan. It is very clear that the object of the Government is to seize one of the big political and military centers of the Communist forces, that is Kalgan, by its own military force. When I last had a conversation with you, the Government had not yet publicly announced the attack on Kalgan. After returning to our office from our last conference, I saw Mr. Fugh,<sup>29</sup> who is an associate of Dr. Stuart, and I told him that the attack on Kalgan was regarded by the Communists as very serious. I asked Mr. Fugh to transmit this information to Dr. Stuart and to General Marshall. The public announcement by the Government of its attack on Kalgan has come to the attention of the Yen-an authorities who therefore instructed General Chou to forward this memorandum to you. We have notified the Government authorities to the same effect.

GENERAL MARSHALL: This memorandum asks me to notify the Government. You just stated that you had already notified the Government.

MISTER TUNG: The Communist Party has also directly notified the Government. At the same time, General Chou hoped that you would officially bring this matter up with the Government. In his memorandum, it is stated that the attack on Kalgan means that the Government intends to ruin our efforts for peaceful political settlement and means that the relation between the Communist Party and the Kuonintang Party has entered its last stage.

The foregoing is what I wished to bring up today. As to the participation of the Communist Party in the Committee of Three, and in the Five Man Group, General Chou said he would not consider participating in the Committee of Three or in Dr. Stuart's Five Man Group until you had given him a reply on the subject you brought up last

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<sup>29</sup> Philip C. Fugh, assistant to Ambassador Stuart.

time. He wants to wait until he gets a reply as to the Government reaction towards your proposal of a simultaneous meeting of the Committee of Three and the Five Man Group. If the Government continues to drive against Kalgan, it will also be impossible for General Chou to consider convening the Committee of Three to discuss the cessation of hostilities, while the Committee of Five is discussing the reorganization of the Government. General Chou felt, in his last conversation with you, that the Communist Party could participate in the two meetings, but that was before the Government made its announcement regarding Kalgan. That is something new.

MISTER WANG: That means that if the National Government continues to drive against Kalgan, the Communist Party will not consider participating in the Committee of Three. A cessation of the drive against Kalgan is a condition precedent to Communist participation in the simultaneous convening of the two committees.

MISTER TUNG: I would like you to transmit that statement to the Government.

GENERAL MARSHALL: I will answer Mr. Tung's last comments first. I told you gentlemen the other day that my suggestions to the Government "included" the simultaneous meeting of the two committees. Now he has used the expression that my proposal is "for" a simultaneous meeting of the two committees.

MISTER TUNG: I understood you correctly. I pointed out to General Chou that this was only one point of the proposal.

GENERAL MARSHALL: I have read the memorandum you sent me this morning most carefully and it says much the same thing as Mr. Tung's statement. I will do what is requested of me.

As to Kalgan and the immediate importance which is attached to the Government's public announcement, I was informed by General Chou, and I believe it is a matter of record, that the Chief of Staff of the Army <sup>30</sup> made an announcement about Kalgan several weeks ago.

I think it is important that you gentlemen understand my view of the situation at the present time. I have made it clear to the Government, and I wish to make it clear to you, that I have not been in agreement either with the Government's course of action or the course of the Communist Party. The situation has almost reached the point where I will not continue to put myself in a position of a mediator. I can no longer continue to be the middle man in a continued series of accusations and counter-accusations or of proposals and counter-proposals. My endurance has about reached the limit. I also have to consider the position of the U. S. Government that I represent.

Now while I am struggling with the Government in my endeavor to have terms proposed that I think have a fair chance of being ac-

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<sup>30</sup> Gen. Chen Cheng.



cepted by the Communist Party, that party comes forward with an announcement about the delegates to the National Assembly, and, while I am struggling with you gentlemen about a basis for agreement, the Government comes out with an announcement regarding the attack on Kalgan. It has continued this way week after week and month after month. Dr. Stuart and I proposed an approach which we thought presented a fair chance for reaching an agreement for the cessation of hostilities. With great difficulty I persuaded the Government to acquiesce, but we misunderstood General Chou as we thought we also and first had his agreement.

The point I want to make is that the procedure which the Communist Party followed inevitably was productive of the long delay during which the military operations continued—the very thing that Dr. Stuart and I were trying to prevent, until now we have reached the present crisis. The two sides can go on trading terms indefinitely and even if the decision indicated in this memorandum of this morning was carried out, it would not terminate hostilities. It would merely make them more wide-spread.

I repeat that I will discuss this statement of General Chou's with the Government, and I will do my best to see if I can prevail on the Government to action which will increase the possibility of a peaceful settlement. I repeat again that I do not agree with either the stand of the Government or of the Communist Party; and I think possibly, in my position, I have the best understanding of the fears of each side with regard to the other. Distrust, fear and suspicion are the roots of the trouble.

I recall that Mr. Tung reminded me the other day that on three occasions General Chou had agreed to my request to suppress Communist propaganda and had carefully carried it out. And, while I feel that an important part of our trouble at the present time is the result of vicious propaganda from both sides, I would not dare again request a truce on propaganda because I do not think it would be observed, tho I think it is a major cause of our difficulties. For example, when I was pressing General Chou sometime ago to an agreement for the meeting of this Five Man Committee, there were three Government statements in one day which he quoted as influencing him in his refusal to agree to the meeting. One of those was by the Chief of Staff regarding Kalgan. When I was talking with the Government last night over the situation and pressing a certain course of action on the Government, the Communist statement regarding the National Assembly delegates appeared. Now this morning you gentlemen come to me with a very serious memorandum which is based on a Government declaration in the press. This procedure goes from side to side, each announcement further embarrassing what Doctor Stuart and I have been trying to do.

You can tell General Chou for me that I will do my best in the next few days to compromise this situation, and that I recognize its seriousness. I do not know anything else that I can say at this time.

MISTER TUNG: I will transmit your statements this morning to General Chou immediately.

In General Chou's last letter to you he mentioned that he did not think the Government has the intention to cease fire. That is the reason why he asks you to obtain from the Government some official expression regarding cessation of hostilities.

Now coming to the question of the National Assembly, the date of the meeting is drawing closer and closer, and the date for handing in the list of delegates is near its expiration. Of course the Communist Party could not participate in the National Assembly if the Government does not follow the resolutions of the PCC, but if the Government does follow the resolutions of the PCC, naturally the Communists will join.

(Mr. Wu's change to foregoing statement). As the expiration date is approaching, if the Communist Party does not make a public statement, then it would be understood by the Government that the Communist Party would attend the National Assembly. That is why we have to make a public announcement regarding that point. In this statement on the National Assembly all the words are those which we have expressed in the past, not a new one has been added.

We feel very much gratified that General Marshall will do his best to better the situation, and we hope his efforts will be crowned with success immediately.

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Marshall Mission Files, Lot 54-D270

*Notes on Meeting Between General Marshall and Dr. Stuart, Nanking, October 1, 1946, 11:45 a. m.*

Also present: Lt. Col. Hutchin

Doctor Stuart stated he had just come from a meeting with Dr. T. V. Soong<sup>31</sup> who had expressed alarm over the present trend of events. Dr. Soong pointed out the disastrous consequences to China if there should be a breakdown of negotiations at this time. Dr. Soong had stated frankly that the Government wanted to take Kalgan before anything more happened in the way of negotiations.

Doctor Stuart said that he discussed the current situation and developments with Dr. Soong, after which Dr. Soong stated he would go see the Generalissimo immediately. Dr. Soong had made certain notes as to the procedure he thought would be best in overcoming

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<sup>31</sup> President of the Chinese Executive Yuan.

current difficulties. He gave Dr. Stuart an outline<sup>32</sup> of this procedure, which, at this point was shown to General Marshall.

General Marshall, after reading the procedure, considered that Dr. Soong's proposal would take at least a month to resolve, during which time the fighting apparently would continue. This proposed procedure put the American mediators right back where they were in June. The more General Marshall thought it over, the more he was convinced that the time was approaching when it would be necessary to recommend that the United States Government terminate his mission.

Doctor Stuart stated that it was looking more and more that way to him too.

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Marshall Mission Files, Lot 54-D270

*The President of the Chinese Executive Yuan (Soong) to the American Ambassador in China (Stuart)*<sup>33</sup>

#### AIDE-MÉMOIRE

#### INFORMAL SUGGESTION—WITHOUT COMMITMENT

I. Five-men Committee to meet first to discuss Communist participation in State Council.

II. (a) Following this first meeting a 3-men Committee to meet and decide the areas to which Communist troops will be assigned.

(b) Dates will be set for the movement of Communist troops to designated areas.

(c) Truce teams will be sent to observe the movement of these troops.

(d) Upon the acceptance by the Communist delegates of the areas where Communist troops will be stationed and the dates set for their removal to those areas, cease-fire order will forthwith be given.

(e) When the Communist troops have reached the areas assigned to them, they will be incorporated into the National Army, and trained and equipped like other national divisions.

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Marshall Mission Files, Lot 54-D270

*Memorandum by General Marshall to Generalissimo Chiang Kai-shek*

OSE 476

NANKING, 1 October 1946.

YOUR EXCELLENCY: Since our conversation of Monday morning, September 30, and General Yu Ta Wei's call on me the same afternoon,

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<sup>32</sup> *Infra.*

<sup>33</sup> Handed to Dr. Stuart on October 1.



I have carefully considered all the factors involved in the present status of negotiations and military operations. I have also taken into consideration the later developments;

(1) The Communist announcement of yesterday stating their refusal to nominate delegates to the National Assembly unless certain PCC conditions are met and the announcement of the governmental Central News Agency regarding the operations against Kalgan;

(2) The informal suggestions (Incl. 1)<sup>34</sup> of Doctor T. V. Soong for a series of actions as conditions precedent to a cessation of hostilities, which he mentioned to Doctor Stuart this morning, and

(3) The memorandum from General Chou En-lai to me (Incl. 2)<sup>35</sup> which was handed to me by Mr. Tung Pi Wu today.

I am not in agreement either with the present course of the Government in regard to this critical situation or with that of the Communist Party. I disagree with the evident Government policy of settling the fundamental differences involved by force, that is by utilizing a general offensive campaign to force compliance with the Government point of view or demands. I recognize the vital necessity of safeguarding the security of the Government, but I think the present procedure has passed well beyond that point.

On the part of the Communist Party, I deplore actions and statements which provide a basis for the contention on the part of many in the Government that the Communists' proposals can not be accepted in good faith, that it is not the intention of that Party to cooperate in a genuine manner in a reorganization of the Government, but rather to disrupt the Government and seize power for their own purposes.

I will not refer to the circumstances connected with the ineffective negotiations since last March. I wish merely to state that unless a basis for agreement is found to terminate the fighting without further delays of proposals and counterproposals, I will recommend to the President that I be recalled and that the United States Government terminate its efforts of mediation.

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Dr. Stuart at No. 5 Ning Hai Road, Nanking, October 2, 1946, 11:45 a.m.*

Also present: Colonel Hutchin

Dr. Stuart opened the conversation by stating that the Generalissimo had sent for him this morning to ask him if he would bring to General Marshall a verbal report of that which he intends to send over this

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<sup>34</sup> *Supra.*

<sup>35</sup> Dated September 30, p. 258.

afternoon by letter.<sup>36</sup> The Generalissimo stated that he was aware of General Marshall's embarrassment in the present situation; that he understood it, and understood why General Marshall was tired of it all. The Generalissimo stated that he always kept in mind General Marshall's problems.

As to policy, at the present time, the Generalissimo felt it was absolutely essential to national welfare that Kalgan come under Government control. If the Communists would withdraw, that would be so much better. If they didn't withdraw, it would probably take Government forces 10 to 15 days to take the city by force of arms.

The Generalissimo considered Kalgan was essential to both the welfare of Manchuria and of North China. He felt that if it were in Government hands, it would prevent considerable further military action on the part of the Communists.

The Generalissimo also told Dr. Stuart that he would issue a cease fire order as soon as the Kalgan battle was over, *provided that* the Communists would agree to the simultaneous meeting of both the informal Five Man Committee and the Committee of Three, would agree to the disposition of the 18 Communist divisions, and would give a list of their delegates to the National Assembly.

In reply to direct questions by General Marshall, Dr. Stuart stated he told the Generalissimo of General Marshall's concern over the continuation of fighting on an ever increasing scale. Dr. Stuart told him that General Marshall's opinion was that the current negotiations were merely a cloak for the military operations and as such, he was put in the most untenable position, one which General Marshall felt he could not continue. Dr. Stuart also told the Generalissimo that he personally sympathized with General Marshall's views. The U. S. Government could not continue being a party to negotiations that served as a cover-up for military campaigns nor could the U. S. favor one faction in opposition to the other. In fact, the United States had now been put in the position of seeming to favor the Nationalist side by these recent actions of the Government.

General Marshall then stated to Dr. Stuart that he would not negotiate while a cold-blooded battle for Kalgan was going on and that the Generalissimo should not expect any mediation when this is the case. The Generalissimo's statement had about convinced General Marshall that it was now time for the U. S. to recall him from China.

The Generalissimo was certainly following a definite policy of force, but under the cover of protracted negotiations. He had now completely reversed his previous agreement of permitting the Communists to retain possession of Kalgan, which was his one concession to the Communists during the negotiations last June. Now Kalgan was the

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<sup>36</sup> See *infra*.

prerequisite to negotiations. General Marshall had taken issue with the Generalissimo on June 30 on practically everything he proposed doing and has done. General Marshall's and Dr. Stuart's proposal for a State Council was done purely to find some wedge which would open the way for progress in negotiations.

It was an intolerable situation for the U. S. Government to have General Marshall in the role of a mediator while the Government conducted military operations. It looked like the time had arrived for a show-down.

Dr. Stuart stated that Madame Chiang had come in during their conversation and said much of what the Generalissimo had already said. She explained some of the Generalissimo's difficulties in dealing with people under him who were morally dishonest themselves and were prone to reverse their adopted position if such would meet the whim of the moment. Madame asked if General Marshall felt that the hostilities had gone on longer than intended, if he felt that negotiations were a cloak for military operations, after which she went on with reasons why Kalgan should come into Government control. Dr. Stuart replied in the affirmative and stated that he concurred in General Marshall's view.

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Marshall Mission Files, Lot 54-D270

*Memorandum by Generalissimo Chiang Kai-shek to General Marshall*

[Translation]

NANKING, October 2, 1946.

Your Excellency's letter dated October 1, 1946, which was attached with a letter from General Chou En-lai under date of September 30, 1946 handed to you by Mr. Tung Pi-wu, has been received. The Government is more eager than any other party for an early cessation of hostilities, but past experience shows that the Chinese Communist Party has been in the habit of taking advantage of negotiations to obtain respite and regroup their troops in order to launch fresh attacks on Government troops who have been abiding by truce agreements (attached is a list <sup>37</sup> of important evidences of Communist troops attacking Government troops during the truce periods), and that conflicts only ceased temporarily but flared up again after a short interval. Therefore effective means should be devised to assure that cease fire is permanent and not temporary. The Government, having the responsibility of restoring and maintaining order and security in the country, can not allow the chaotic situation to be prolonged indefinitely.

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<sup>37</sup> Not found attached to file copy of translation.



With a view to saving time and showing its utmost sincerity, the Government hereby, with all frankness, expresses its maximum concessions in regard to the solution of the present problem:

(1) The Chinese Communist Party has been incessantly urging the reorganization of the National Government. This hinges on the distribution of the membership of the State Council. The Government originally agreed that the Chinese Communist Party be allocated eight seats and the Democratic League, four, with a total of twelve. The Chinese Communist Party, on the other hand, requested ten for themselves and four for the Democratic League with a total of fourteen. Now the Government makes a fresh concession by taking the mean and offering one seat for the independents to be recommended by the Chinese Communist Party and agreed upon by the Government, so that, added to the original twelve, it makes a total of thirteen seats. But the Communist Party should without delay produce the list of their candidates for the State Council as well as the list of their delegates to the National Assembly. This reassignment of seats should be decided by the proposed group of five to be confirmed by the Steering Committee of PCC.

(2) For immediate implementation of the program for reorganization of the army, the location of the eighteen Communist divisions should be immediately determined and the Communist troops should enter those assigned places according to agreed dates. The above should be decided by the Committee of Three and carried out under the supervision of the Executive Headquarters.

If the Communist Party has the sincerity for achieving peace and co-operating with the Government, and is willing to solve immediately the above-mentioned two problems, a cease fire order should be issued by both sides, when agreement has been reached thereon.

Kindly forward the above to the Communist Party and let me know your esteemed opinion about it.

CHIANG KAI-SHEK

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to the Under Secretary of State (Acheson)*<sup>38</sup>

[NANKING,] October 2, 1946.

1587. DEAR UNDER SECRETARY: Since my message to the President of September 22nd,<sup>39</sup> the following has occurred:

Chou En Lai from Shanghai made another demand on me in writing to convoke the Committee of Three stating that he did not believe the Government could boycott a meeting called by me. Meanwhile the Generalissimo had not yet returned to Nanking. On September

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<sup>38</sup> Copy transmitted to the Acting Secretary of State by the War Department on October 2.

<sup>39</sup> Probably telegram No. 1549, September 23, p. 217.

26th Doctor Stuart and I jointly addressed a memorandum to General Chou En Lai <sup>40</sup> urging him to return to Nanking expressing our desire to help solve the situation, and stating the Generalissimo was scheduled to return that date, which he did.

The morning of the 27th, Friday, I saw the Generalissimo and he reviewed the situation stating that he must be prepared for two situations:

1. A final rupture with the Communists and
2. A method to break the present stalemate.

Regarding the latter course, he contemplated a public statement and said he would discuss this with his associates and would appreciate my advice and asked me to consider such a statement. I replied that I had already done so and had taken the liberty of preparing such a statement in order to illustrate importance I attached to his appearing tolerant attitude and avoiding any provocative or irritating statements and also avoiding generalities and making definite concrete proposals. I handed him draft of a suggested statement <sup>41</sup> which incidentally had been concurred in by Doctor Stuart. (See 1588.<sup>42</sup>) Meeting adjourned to enable translation to be made. This was on Friday.

On Saturday his representative called on me for an explanation of various portions of the statement. The same day I received a note from Chou En Lai <sup>43</sup> thanking Doctor Stuart and me for our message of the 26th and stating that he would not return to Nanking until the Government gave actual evidence, in reply to his demand for cessation of hostilities, that the negotiations were not to be a smokescreen of delay while an active military campaign was in progress.

On Monday the 30th, the Generalissimo saw me and stated that he was agreeable to publishing the statement I proposed if there were added to it a sentence that all the negotiations referred to in that statement must be completed before there could be a cessation of hostilities. I replied that this would vitiate the entire purpose of the statement and that some other approach would be necessary rather than have such a modification of the terms of the statement. I informed him I had no idea what such other course might be.

The Generalissimo then proposed that I inform the Communists that he had agreed to a simultaneous meeting of the Five Man Group under Dr. Stuart and the Committee of Three under me. I told him

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<sup>40</sup> *Ante*, p. 224.

<sup>41</sup> September 27, p. 238.

<sup>42</sup> October 2, not printed; it repeated text of the draft of suggested statement by Generalissimo Chiang Kai-shek, dated September 27, p. 238.

<sup>43</sup> September 27, p. 237.

that I felt certain the Communists would not accept that unless there was an understanding that the Committee of Three would first settle the question of the termination of hostilities and further that I would not carry the message orally but would merely transmit any written proposal he or his representative cared to make. He then directed that such a written proposal be prepared stating "General Marshall's proposal for simultaneous meeting of the two committees" was acceptable to the Government. I stated that that was not my proposal, that it was but a small part of it and he directed the deletion of that phrase. I added that his Minister of Information should be warned not to permit any announcement that this was my proposal because if he did I would publicly deny it.

There were several meetings with his subordinates later and the Generalissimo finally decided not to release to the public his limited proposal.

Yesterday, Tuesday, the frank admission was made to Dr. Stuart by T. V. Soong that the Government desired to capture Kalgan before terminating hostilities. This reportedly could be accomplished in 10 to 15 days. I should add here that the Generalissimo had agreed, to me in June, that Kalgan was to remain in Communist hands. I also received a letter from Chou En Lai <sup>44</sup> stating that he was instructed to serve notice that if the Kuomintang Party Government continued the military operations against Kalgan, the Chinese Communist Party would be forced to presume that the government was thereby making public announcement of a total national split and that it had abandoned its announced policy for a peaceful settlement.

I decided that a further participation by me in protracted negotiations or time consuming message-carrying would inevitably be judged in effect as participation in negotiations which were a cloak to the continued conduct of a military campaign. I therefore sent a memorandum to the Generalissimo which concluded with this paragraph: "I will not refer to the circumstances connected with the ineffective negotiations since last March. I wish merely to state that unless a basis for agreement is found to terminate the fighting without further delays of proposals and counter proposals, I will recommend to the President that I be recalled and that the United States Government terminate its efforts of mediation." (See 1589.<sup>45</sup>)

Today, Wednesday, the Generalissimo discussed with Dr. Stuart my memorandum and expressed surprise that I should have raised an issue regarding Kalgan. Dr. T. V. Soong saw me at lunch and went over the situation. I made my position emphatically firm that I

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<sup>44</sup> September 30, p. 258.

<sup>45</sup> October 2, not printed; it repeated text of General Marshall's memorandum No. OSE 476 of October 1, p. 267.



would not continue with the negotiations during the conduct of an aggressive campaign. Dr. Soong hoped that some formula for the reaching of an agreement could be found, but his suggestions involved matters of lengthy complication regarding the redistribution of troops in China and Manchuria.

Later in the day, the Generalissimo's representative brought to me a personal reply to my memorandum. In his reply, he proposed a definite compromise regarding the representation in the State Council and tied to it the demand for immediate implementation of the program for the reorganization of the Army and location of the eighteen Communist Divisions to be settled and the dates determined for the arrival of the Communist troops in the assigned place. If those agreements are reached, he would agree to a cessation of hostilities. The second portion involves a complicated logistical re-study in view of the confused state of troops and the paucity of communications. If literally complied with, a considerable time would be involved while the campaign progressed. The Communists, I am certain, would be opposed to this requirement. I merely transmitted his proposal in writing to the Communist representative. I am aware of the delicacy of the position my communication to the Generalissimo places the United States in its relationship to the situation in the Far East but I do not think our government can be a party to a course of questionable integrity in negotiations and I therefore felt that this fact must be made unmistakably clear to the Government.

I am addressing this message to the Secretary of State rather than the President because of its length and because I felt that while he need not be troubled until the matter progresses further, it is important that the State Dept. be immediately aware of what is happening.

GEORGE C. MARSHALL

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Marshall Mission Files, Lot 54-D270

*Notes on Meeting Between General Marshall and Dr. Stuart at  
No. 5 Ning Hai Road, Nanking, October 3, 1946, 10 a. m.*

Also present: Lt. Col. Hutchin

Dr. Stuart opened the discussion by stating that last night, Mr. Wang Ping Nan called on him and asked him the question, "Where do the Americans stand now?" Mr. Wang Ping Nan planned to call again at 1100 this morning and Dr. Stuart wondered what he should tell him. He wondered if General Marshall had made any decisions concerning the present situation which could be related to Mr. Wang. He pointed out the blame that would probably be heaped upon Americans by both sides through misunderstandings.

General Marshall informed Dr. Stuart that he had been considering just what Mr. Wang Ping Nan should be told ever since he had received Dr. Stuart's message earlier in the morning. He found that was difficult to state at this time largely because almost anything that was said would immediately find its way into the newspapers and become public information.

General Marshall felt that the Government had used American mediation to their own advantage and that they would continue to do so as a cloak for their military campaigns for as long as he let them get away with it. This last attitude on the part of the Government concerning the operations against Kalgan was so definite that there was no escaping this conclusion.

The letter received from the Generalissimo had not been particularly helpful to the situation. The second part of the letter involved data not without lengthy procedure during which the Kalgan offensive was being carried to a conclusion, a procedure which General Marshall could not be a party to.

The problem of what to say to Wang Ping Nan was another matter. If General Marshall were in Chou En Lai's shoes, he would come back at the Government with a categorical statement to the effect that the Communists will listen to Government Proposals if the Government would stop its attack on Kalgan. General Marshall thought possibly that would be Chou En Lai's answer anyway; but in the present situation we couldn't recommend to the Communists that that be their answer.

Then the next step would probably be that the Government would insist on going into Kalgan, practically dictating terms of surrender, General Marshall on his side would have to recommend his recall by the U. S. Government.

Perhaps the only thing to tell Wang Ping Nan was that the American mediators have labored with the Government to get an acceptable proposal and that this letter from the Generalissimo was the result.

Dr. Stuart asked if General Marshall thought it was possible to arrange a truce, one which would last for a stipulated number of days. Perhaps the Communists would agree to evacuate Kalgan.

General Marshall did not think that the Communists would agree to evacuate Kalgan nor could he personally insist that they do evacuate Kalgan. The one thing that the Generalissimo had agreed some time ago was that the Communists could keep Kalgan. The Communists gave considerable evidence of good faith last June, except possibly in their stipulations concerning the Peace Preservation troops in certain localities. Only time could have determined their sincerity in this matter.

In this present situation it is plainly evident that the Government

does not want to halt its advances. They are so intent on capturing Kalgan that they can't see, or ignore, other issues.

General Marshall then suggested that Dr. Stuart informally discuss with Mr. Wang Ping Nan a course of action that the Communists might adopt, a course which would include meeting the Government's so-called concessions with some concessions of their own, but accompanied by their demand that the Government halt its advance on Kalgan. There are three concessions which the Communists might well make: the first of which is to agree to designate their delegates to the National Assembly; second, agree to accept 9 Communist members and 4 Democratic League members as their minority in the State Council and; third, agree to evacuate the northern tip of Kiangsu without further discussion. They were being driven out anyway.

Dr. Stuart agreed to discuss this with Mr. Wang Ping Nan.

(Later in the morning, during the discussion with Mr. Brad Connors,<sup>46</sup> General Marshall thought of a fourth concession which could be put forward by the Communists and that was that the Communists would withdraw from vicinity of Tatung. This further concession was transmitted by note to Dr. Stuart.)

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Marshall Mission Files, Lot 54-D270

*Memorandum by the Director of the Office of Far Eastern Affairs  
(Vincent) to the Under Secretary of State (Acheson)*

[WASHINGTON,] October 3, 1946.

To recapitulate our conversation regarding General Marshall's problem and prospects:

In the absence of any clear indication from the General that he would wish the President to make some public statement or confidential statement to Chiang, we in this Office think that the President should, in the event General Marshall is to come home, simply state that he is being recalled for consultation and add that pending such consultation he has no comment to make. Incidentally, we think that the chances are better than 50-50 that the jig is not up; that there is better than an even chance that the General will be successful in calling Chiang's hand.

General Marshall is obviously mad. He has virtually accused the Government leaders of duplicity, particularly with regard to the attack on Kalgan. The Government leaders would like to keep the question of the negotiations in the air for three weeks to allow them time to capture Kalgan. The Communist leader has clearly indicated

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<sup>46</sup> W. Bradley Connors, Public Affairs Officer at Shanghai.



that a continuance of the campaign against Kalgan would be a signal for complete severance of negotiations and relations. Quite apart from the Communist attitude, however, is the attitude of General Marshall. He clearly feels that his honor is at stake. Chiang promised him that he would not endeavor to take Kalgan and the General may have told the Communists this. In any event, I am sure that he would not participate in negotiations the objective of which, as Chiang and T. V. Soong none too subtly suggest, would be to give time for the capture of Kalgan, after which the Government would probably agree to Communist proposals in the main.

There are three conditions under which the negotiations might break down: (1) Chiang might refuse flatly to meet what General Marshall might consider reasonable conditions; (2) the Communists might precipitate a break in a manner which the General might consider unreasonable; and (3) it might be impracticable to clearly place responsibility for the break. In any case General Marshall would come home.

In case of (1) I think that we would be obliged to reiterate our position that no assistance could go to China while civil war and political disunity continue. We might have to modify this position later but, in fairness to General Marshall, I think it would perforce have to be the attitude to adopt currently.

In case of (2) I think we should seriously consider modifying our policy with regard to assistance to permit credits to China for constructive purposes not directly connected with the civil war or for use in the civil war areas. A condition to the advancement of such loans should be immediate concrete steps taken by the Chinese Government to effect political and economic (agrarian) reforms.

In case of (3) we might follow a line similar to that described for the second contingency, but somewhat modified. The point is that we cannot, just because of a breakdown in our mediatory effort, delay for long efforts to bring about an improvement in economic conditions in areas of China unaffected by civil war.

In any event we should make it clear to the Chinese and to our own public that we mean to stay with the problem but stay out of involvement in the civil war.

In the event of General Marshall's return the American military personnel connected with Executive Headquarters would, it seems natural to expect, be recalled. I think we should also carefully consider whether this is not the appropriate time to withdraw the Marines from north China and withdraw the U. S. Army Military Advisory Group from Nanking and other points. I would not suggest any alteration with regard to the Navy.

J[OHN] C[ARTER] V[INCENT]

893.00/10-346 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 3, 1946.

[Received October 4—4 a. m.]

1579. At the press conference in Shanghai, during which General Chou En-Lai made public the text of his letter<sup>47</sup> to General Marshall contained in Embassy's 1572, October 2, 11 a. m.,<sup>48</sup> he accused the United States of having encouraged civil war in China by supplying war materiel to the Kuomintang and demanded immediate withdrawal of all American military and naval forces in China. He added that negotiations are now going [on] between Nanking and Washington for purchase in United States of 200 million dollars worth of munitions, payment to be made out of the 750 million credit which China has now in United States.

Chou further stated that General Marshall's early efforts had succeeded as witness PCC agreements but that, following his return to China, American attitude had changed and, instead of acting as mediators, Americans had sided with Nanking Government. Proof could be found in American turning over of war ships,<sup>49</sup> extending Lend Lease agreement<sup>50</sup> and surplus property agreement.<sup>51</sup> Present Chinese Air Force can operate only because of American bombs, fuel and spare parts. Chinese Navy has received 470 vessels and 57 American equipped Nationalist divisions have been thrown into action against Communists and American forces have moved 400,000 Nationalist troops to North China who are now used in the front line. If American Government were to announce cessation of its assistance to Nanking, Nationalist Government would have to give serious consideration to possibility of ending civil war.

Chou charged that argument often used in favor of keeping American troops in China as barrier to prevent entry of Soviet or other forces is an insult to China since Chinese have no intention of becoming colony to any power. He said this is all the more ridiculous since there are areas in China free of American troops such as the northwest and no foreign troops have taken their place.

Chou added he did not wish to give impression he opposes American assistance or cooperation once Chinese Government has been reformed and army reorganized but now he wished to point out that if United States wishes to mediate, and Marshall-Stuart Mission is

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<sup>47</sup> September 30, p. 258.

<sup>48</sup> Not printed.

<sup>49</sup> For correspondence, see pp. 786 ff.

<sup>50</sup> For correspondence, see pp. 724 ff.

<sup>51</sup> Signed at Shanghai, August 30, 1946, p. 1033.

to be successful, American forces must be withdrawn immediately and material aid stopped. He concluded by expressing his hope that present situation would not result in a divided China and his conviction that Chinese people are powerful enough to survive present ordeal.

STUART

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893.00/10-346 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 3, 1946.

[Received October 4—4:10 p. m.]

1580. Following is text of Generalissimo's reply dated October 2 addressed to General Marshall to Chou En-lai's letter<sup>52</sup> contained in Embassy's 1572, October 2, 11 a. m.<sup>53</sup>

[Here follows text of portion of reply dated October 2, printed on page 270.]

Coincidentally with release of above letter Minister of Information<sup>54</sup> made following statement to press:

"The Government has already expressed its approval of the convocation of the Committee of Five to discuss the reorganization of the State Council of the National Government, and, recently has been preparing to convene the Committee of Three to consider effective measures for cessation of hostilities. Contrary to its expectation, the Chinese Communists issued yesterday a statement ignoring the aforementioned two committees, and asserting unilaterally and arbitrarily that, unless fighting is stopped immediately, they will not enter into negotiations on any other subject.

It has been the consistent policy of the Government to seek fair settlement of problems through consultative channels and by political means. Should the Chinese Communist Party refuse negotiations and undermine the two committees which are scheduled to convene soon, it must assume full responsibility for any possible consequences arising therefrom.

Twice this year, in January and June, respectively unconditional truce was declared but, on account of the lack of any positive and effective safeguard, hostilities flared up as frequently as they ceased. This has caused the country increasingly heavy losses and the people inconceivable suffering.

In the past, despite the cease fire orders and the program for army reorganization and integration of the Communist troops into the national army, the Chinese Communist exploited the truce periods purely to their benefit. Where they were in numerically superior strength they attacked and occupied cities without the slightest re-

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<sup>52</sup> September 30, p. 258.

<sup>53</sup> Not printed.

<sup>54</sup> Peng Hsueh-pei.



gard. Where they were weak they took the occasion to prepare for fresh attacks on the national troops. Now the Communists on the one hand issue a general mobilization order and on the other raise the slogan of cease fire, offering no positive guarantee. The Government, impelled by its responsibility for preserving peace and order and safeguarding the life and property of the people cannot permit prolongation of the ordeal of the people attendant upon the civil strife. It must seek settlement of the pressing political and military issues and provide effective safeguards to ensure a durable peace."

STUART

893.00/10-446 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, [October 4, 1946.]

[Received October 4—8:15 a. m.]

1594. Following statement released to press by Embassy at 4 p. m., October 3:

"The statement released by the Central News Agency in Nanking dated September 30 to the effect that Generalissimo Chiang Kai Shek had agreed to accept the proposal of General Marshall for a simultaneous meeting of the Committee of Three and the Five Man Committee is incorrect in attributing the proposal to General Marshall."

STUART

Marshall Mission Files, Lot 54-D270 : Telegram

*Mr. Walter S. Robertson*<sup>55</sup> *to General Marshall*<sup>56</sup>

PEIPING, October 4, 1946.

9336. Upon receipt of your 1581<sup>57</sup> on 30 September a special meeting of the Three Commissioners was called for the purpose of determining if the 2 Chinese Commissioners had received instructions from their respective representatives on the Committee of Three regarding Team 25. No instructions had been received. The Commissioners were then informed that, to preclude further delay, the U. S. Branch proposed to instruct its team member to hear the remaining witness and submit a final report. General Yeh<sup>58</sup> then requested opportunity to contact General Chou En-lai for instructions. Airlift on one of our regular runs to Shanghai was provided his repre-

<sup>55</sup> American Commissioner of Executive Headquarters at Peiping.<sup>56</sup> Apparently drafted October 3.<sup>57</sup> Dated September 29, p. 242.<sup>58</sup> Yeh Chien-ying, Chinese Communist Party Commissioner of Executive Headquarters, Peiping.

sentative, General Huang,<sup>59</sup> for this purpose. In attempt to obtain full team action in concluding investigation we agreed to postpone the hearing for 2 days. On afternoon of 2 October, having heard nothing further from Communist Party Commissioner, he was informed by memo that U. S. member of Team 25 would hear remaining witnesses as planned on 3 October. This morning, 3 October, General Yeh advised he had no word from General Chou and on basis of my memorandum understood that we would proceed with hearings by U. S. team member. He was informed that each Sino Branch was invited to have observer present and that transcript of testimony would be furnished.

U. S. team member Colonel Davis<sup>60</sup> initiated hearings of these 2 witnesses afternoon 3 October. He has been directed to submit his report without delay appending other 2 Branches' position if made available to him.

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Messrs. Tung Pi-wu and Wang Ping-nan, Communist Party Delegation, at No. 5 Ning Hai Road, Nanking, October 4, 1946, 10:30 a. m.*

Also present: Lt. Col. Hutchin  
Captain Soong  
Mister Wu

MISTER TUNG: After our last conversation, I transmitted pertinent details to General Chou En Lai. When I received the memorandum from the Generalissimo transmitted through you,<sup>61</sup> I also transmitted its contents to General Chou. He has received that memorandum as of yesterday morning, but we haven't yet received a reply from him.

Inasmuch as the Generalissimo's memorandum mentioned that it was in reply to General Chou's memorandum handed to you through me, it seems that the Generalissimo's memorandum is in reply to General Chou's memorandum transmitted to the Generalissimo through you. However, in the Generalissimo's memorandum, no word has been mentioned on the cessation of the advance by Government troops against Kalgan. When we received the memorandum from the Generalissimo, Mr. Wang Ping Nan went to visit Dr. Stuart and asked him about the issue of Kalgan. Dr. Stuart replied that the memorandum did not deal with that special issue. Dr. Stuart

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<sup>59</sup> Maj. Gen. Huang Yi-feng, Chinese Communist Party's senior member of Team 25 investigating the Anping incident.

<sup>60</sup> M. F. Davis, U. S. Army, American senior member of Team 25.

<sup>61</sup> October 2, p. 270.

did not discuss that issue and said that he would have to discuss this matter with you first before he could make a reply.

Yesterday morning, Dr. Stuart told Mr. Wang that before a cessation of the attack on Kalgan, the Communist Party could make an expression of doing certain things before the Government actually ceased its attack on Kalgan. After this conversation, Mr. Wang reported to me and I simultaneously reported to Yen-an and to General Chou in Shanghai.

The attack on Kalgan has been a most serious problem of the present situation. It is still so today. Since the Government has made no reply on the Kalgan issue, it shows that the Government has no intention to stop its fighting or advances toward Kalgan. It is General Chou's wish, and also the wish of the Communist Party, that the Government make a definite reply concerning the Kalgan issue, I hope that you will pay most serious attention to this problem.

Regarding the meeting of the Committee of Three and the Five Man Group, the public seems to be very confused. The Central News has reported that the Government has agreed to this proposal but the Communist Party has not expressed their attitude. Mr. Connors of the American Embassy has announced that the Government did not make the expression to agree to a simultaneous meeting of the Committee of Three and the Five Man Group.

GENERAL MARSHALL: The Government did "not" make that?

MISTER TUNG: That is right. The Government has not made the expression of agreement for the Committee of Three and the Five Man Group.

GENERAL MARSHALL: That is not correct, there is something wrong there.

MISTER TUNG: It is reported in one of the local newspapers in Nanking. Mr. Connors also announced that a meeting of the Committee of Three was not a proposal of General Marshall. A second point of my coming here today is to express the Communist attitude on that point.

GENERAL MARSHALL: Wait a minute. Mr. Connors did not say that. (To Captain Soong: Translate this statement of Mr. Connors.)

"The statement released by the Central News Agency in Nanking dated September 30 to the effect that Generalissimo Chiang Kai-shek had agreed to accept the proposal of General Marshall for a simultaneous [meeting] of the Committee of Three and the Five Man Committee is incorrect in attributing the proposal to General Marshall."

MISTER TUNG: The *Ta Tao Pao* issued that statement I mentioned and it is not an official Government paper. They must have made an error in printing the news. The Central News Agency and *Central Daily News* has not carried this statement made by Mr. Connors.



There is still confusion in the public's mind because the Chinese Government official newspapers did not carry Connors' statement. The impression left with the public is that the Government has agreed to all the proposals, but the Communist Party hasn't. I want to make clear today that the conversation I had with you before was not related to anyone other than my immediate staff and office, and that no statement has been made to the public. We have made clear to Dr. Stuart and to you repeatedly that the Communists have not rejected the proposal of the simultaneous meeting of the Committee of Three and the Five Man Group. During our previous meeting you had stated that you would let us know as soon as you received the official reaction of the Government to the simultaneous meeting of the Committee of Three and the Five Man Group. I am still waiting for that reaction.

GENERAL MARSHALL: The only official reaction I have is that communication I sent you. I transmitted your statement and the Government gave me back that memorandum.

MISTER TUNG: Do you have any comments to make, or opinions, regarding this memorandum from the Generalissimo?

GENERAL MARSHALL: Nothing other than to say what I think Dr. Stuart has probably already said, that we had done our best to find a basis for the termination of hostilities without delay and the reply of the Generalissimo is the result to date.

MISTER TUNG: According to this memorandum of the Generalissimo, it seems to set forth the conditions precedent to a cessation of hostilities.

GENERAL MARSHALL: That was my assumption.

MISTER TUNG: These conditions include the State Council issue, the Five Man Group, plus a new condition which requires the names of the delegates to participate in the National Assembly. Is this a new demand?

GENERAL MARSHALL: I transmitted that statement from the Generalissimo about three weeks ago, I believe, in writing in a memorandum to General Chou.<sup>62</sup>

MISTER TUNG: I have seen that.

Regarding the delegates to the National Assembly, there was a question remaining whether they should increase the number of seats or not. Also, the number of delegates of the Communist Party is not fixed. This is a complicated issue because it was a resolution of the PCC that the nomination of the delegates from Shantung, Hopeh, Jehol and the nine provinces in the North East must be by consultation with the Communist Party, which the Government has not done.

I would like to amplify that statement. For instance, it was agreed

<sup>62</sup> See memorandum No. OSE 424, September 10, p. 168.

that there would be 725 delegates in the National Assembly. Later on it was decided that the number should be increased. As to numbers involved in this increase, it was not fixed. A certain number of Communist delegates was agreed upon but later on it was decided that that should also be revised. However, that part has never been taken up again.

The delegates to the National Assembly from Shantung, Hopeh, Chahar, Jehol, the nine provinces of the Northeast, the Yen-an district of Shensi and Kansu and Ningsia was not officially discussed in the PCC. However, it was privately discussed between General Chou En Lai, Mr. Tung Pi Wu, Mr. Wang Ju Fei<sup>63</sup> and Mr. Shao Li Tse, General Chang Chun and Dr. Wang Shih Chieh.<sup>64</sup> This issue was discussed among these few people since it only concerned the Kuomintang and the Communist Parties and it was not brought up to the PCC.

Regarding the National Assembly, the most important issue was the draft constitution. If there is no draft constitution agreed upon by all, there can be no reason for calling this National Assembly. This draft constitution is a major issue in the National Assembly. Therefore, during this serious stage of the situation in China, to bring up this National Assembly issue as a condition precedent shows the lack of intention of the Government to secure settlement.

This is only my personal feeling and expression. I have to wait for the official expression from Yen-an and General Chou En Lai.

The second point in the Generalissimo's memorandum brought up the issue of Communist troops disposition. I am asking whether the agreements reached on the supplementary paper to army reorganization on 24 June<sup>65</sup> is still effective. That stated that in Manchuria, regardless of how many places the Government and Communist troops occupied, they must return to the lines of 7 June. In China Proper, regardless of how many places the Government or Communist troops occupied, they must return to the lines of 13 January. Is that agreement as reached on 24 June still effective?

GENERAL MARSHALL: I cannot answer that directly. As I reported to General Chou three weeks ago, I believe, it was my impression that it was the Generalissimo's purpose to continue in military occupation of the places in North China that his troops had recently occupied. I have received no definite statement on that. But that is the stand I anticipate. Regarding Manchuria, I have no definite statement, but the implication I have gotten from general conversations was that the tentative agreement reached regarding troop dispositions in Manchuria, both for the cessation of hostilities and for the reorganization

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<sup>63</sup> Chinese Communist delegates.

<sup>64</sup> Chinese Government delegates.

<sup>65</sup> Directive for termination of hostilities, vol. ix, p. 1186.

and redistribution of the armies, would be as it was tentatively agreed last June.

MISTER TUNG: It is my hope that if any agreements tentatively reached are still effective, then all agreements tentatively reached should be effective. If just part are effective, then the Government could break any part of an agreement which does not suit them. Before Mr. Shao Li-tze went to Lushan,<sup>66</sup> I had a conversation with him at which I expressed my personal opinion that agreements made by the Communists in the past are agreements to which they still agree today. Some of these agreements were more advantageous to one side and others were more advantageous to the other side. However these conditions always exist. Agreements we have reached should be adhered to.

GENERAL MARSHALL: We have a saying at home "Chickens come home to roost." I do not know any more than I have already told you of the Government's probable stand, but they might readily use General Chou's language after the Communist capture of Changchun when he was requiring an alteration of the agreement of February 25 <sup>66a</sup> regarding the military setup in Manchuria, which he justified by the statement, "The situation has greatly changed." My comment then was, that if the Communists insisted on that alteration, it was inevitable that the Government insist on corresponding changes, which they did regarding Communist troops scheduled for location in Anhwei and Kiangsu.

These comments do not help in the solution of the problem but they at least give point to some of my difficulties. When the Government continued its advances after occupying Changchun, I told them that inevitably the Communists would react in North China, which they did commencing 7 June. And when the Communists continued their operations after 8 June in Shantung, I told General Chou that inevitably the Government would react with reinforcements and attacks, which they did. This procedure has gone on almost indefinitely—whichever side has had the advantage has pressed that advantage and justified it by explanations. In my opinion that has been both a serious Communist mistake and a serious Government mistake, a very human reaction though a very short-sighted one. I have to be very realistic and it is seldom therefore that I can be agreeable in these conferences.

MISTER TUNG: Another point regarding the troop disposition issue; that is, the Government is now concentrating 85% of its total troops in North China and Manchuria. Even though we seek a peaceful settlement, if this situation is not corrected, any agreement would be

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<sup>66</sup> Kuling.

<sup>66a</sup> Volume IX, p. 295.



just for the time being and not permanent. I want you to consider that point. This is my personal expression.

Since the discontinuance of the Committee of Three meetings on the 29th of June, Yen-an has told General Chou that if an agreement is to be reached, the Government must withdraw half of its forces from Manchuria and North China. However, since the discontinuance of the Committee of Three meetings, other issues entered discussion. I do not know whether General Chou has reported to you on this issue.

GENERAL MARSHALL: He has not.

MISTER TUNG: That is partly because after the 29th of June, the issue of cessation of hostilities was not brought into discussion.

GENERAL MARSHALL: I had the Government troop situation checked about four weeks ago, I think. I found that over 100 divisions had been demobilized. But that virtually none of the troops in North China and Manchuria had been demobilized. The Government procedure of demobilization is to reduce a three division army to one division. The first step is a reduction to a division of four infantry regiments instead of the three that is the standard organization. The second step is the elimination of the fourth regiment and of one of the two brigades. In view of the fact that there has been no demobilization in North China and Manchurian units, the principal reduction in strength would result from reduction of armies into divisions.

One minor reason why I secured this data was to permit my officers to calculate for me, the permissible or possible movement of troops within a certain period of time that could be made in Manchuria and in North China so that I would be properly informed in connection with my intervention in the matters of negotiations and would not commit myself to an agreement which was impossible logistically of execution. Mr. Tung has just indicated to me a Yen-an requirement in relation to troop strength in North China and Manchuria and yet I have never been given any data by the Communist Party since that would enable me to make any calculation of any kind, though it was due three weeks following the agreement of February 25th.

There followed some off-the-record remarks.

MISTER TUNG: The Communist candidate has delegated the Chief of Staff, General Teng to participate in this procedure. However, later on a civil war flared up and no progress was made.

GENERAL MARSHALL: The three weeks elapsed before the civil war flared up. Three weeks had almost elapsed before I left for Washington. But that is beside the point. I have been just trying to explain to you the situation in North China regarding Government troops.

This is something that has just been handed to me. (General Marshall handed Captain Soong a newspaper item issued by Central News Agency to translate to Mr. Tung). It answers one of Mr. Tung's questions.

MISTER TUNG: This statement is not true because the letter from the Government representative to General Chou is really acknowledging receipt of the memorandum. I still wish to obtain a reply. I hope you will exercise your efforts to receive a reply from the Government toward the Kalgan issue.

(General Marshall suggested that Mister Tung submit his proposal in writing after some discussion.)

Meeting adjourned.

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Marshall Mission Files, Lot 54-D270

*General Marshall's Notes of Meeting With Generalissimo Chiang Kai-shek, Nanking, October 4, 1946, 7:15 p. m.*

The Generalissimo made the following comments on my memorandum of October 1st (OSE 476), stating that unless certain action was immediately taken I would recommend to the President that I be recalled and that the American efforts at mediation be terminated. He stated that he had searched his mind for any action that might have been construed as lack of integrity in action on his part without result. Such an action by him was unthinkable—that, aside from his position as head of the Government of China, his own conscience as a Christian would forbid. He regretted exceedingly if anything had occurred to give rise to such a belief and he could only assure me that I was mistaken. He did not feel that it was a matter that could be discussed.

The Generalissimo stated that my departure from China was unthinkable. I could not possibly cease my efforts of mediation, that the crisis in China was the most important in the world at the present time and my efforts were of great historic significance. He could not consider such action on my part; that nothing that he could recall had affected, surprised or had disturbed him so much mentally. He also said that a satisfactory basis could be found for the continuation of my mission.

I replied that I was not implying any question of the integrity of the Generalissimo, but rather to my actions and position and to that of the United States as represented by my actions; that I was convinced that a campaign of force was in progress and the negotiations could be charged as a cover for the campaign and as such I could no longer participate. I cited that in June he had acceded to my pro-

posal that Kalgan be left to the Communists and at that time the Government was in a very much weaker position than at the present time, (Chengteh had been captured, most of Hopeh and Jehol had been taken over and his troops had advanced well beyond Peiping in the direction of Kalgan, and also were about to capture Chihfeng and Tolum—all critical strategic points). To say at this time that Kalgan was of such strategic importance that the Government could not consider any arrangement whereby it would not occupy that place was not consistent with the action in June in view of the much weaker position of the Government at that earlier date. The present procedure therefore clearly meant to me a campaign of force and not a settlement by negotiation.

I reminded him that at the end of June I had opposed the whole procedure indicated for July and August where he declined to accept the agreements openly reached, and stated that there would be only local fighting in China Proper and no fighting in Manchuria; that I disagreed not only with that conception, but I thought it inevitably meant the development of a full-fledged civil war entirely beyond his, or the Communists', control for a long time to come and also that it would provoke a situation which would be an invitation to the Soviet Government to intervene in Manchuria.

The Generalissimo replied that his reference to Kalgan in June was not an agreement—that the Communists had not accepted the proposal. I replied that it wasn't a question of agreement, what I referred to was a statement of a condition that existed then when he was willing to submit himself to such agreement in contrast to the strong position of the Government at the present time when he was unwilling to call a halt to the operations against Kalgan unless the Communists agreed to its occupation by Government Forces.

The Generalissimo made a lengthy statement—more or less reiterating the matters referred to above and also going into the various aspects of negotiations with the Communists—but he gave no indication of stopping the operations against Kalgan.

In conclusion I stated that I regretted to inform him that nothing had transpired in our discussion that caused me to alter my point of view—in fact, I was the more convinced that the U. S. Government was being placed in a position where the integrity of its action could be successfully questioned and therefore I must recommend to the President my recall.

NOTE: That evening General Pee, the Generalissimo's aide, called on Dr. Stuart to make some inquiry regarding a meeting Dr. Stuart had had with Communist officials. Dr. Stuart remarked to General Pee that General Marshall was sending a message to the President recommending his recall. About a half-hour later General Pee called



up Dr. Stuart and stated that the Generalissimo would like to see him immediately, that was 8 p. m. Dr. Stuart reported to me about 9:30 the substance of the conversation which involved a discussion of the declaration of a truce for a short period halting the advance of Kalgan. I had already dispatched my message to the President (1000 [1600]<sup>67</sup>) and thereupon sent a message in the clear (1605)<sup>68</sup> directing that its delivery to the President be delayed until further instructions from me.

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Marshall Mission Files, Lot 54-D270: Telegram

*Colonel Marshall S. Carter*<sup>69</sup> to General Marshall

WASHINGTON, October 4, 1946.

82325. The following message is transmitted to you at request of Acting Secretary of State:

"I have discussed your last three messages<sup>70</sup> with the President. While he and I maintain confidence that you can do the job if it is humanly possible, he fully approves of your memorandum to Chiang and will request you to return to Washington if you indicate that it is advisable for you to do so. In that event, and in the absence of any suggestion from you, he will state that you are being recalled for consultation and that pending such consultation he has no comment to make.

"We do not feel that an immediate message to Chiang in regard to your return is advisable but would of course give full consideration to any suggestion from you. Signed Dean Acheson."

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Marshall Mission Files, Lot 54-D270: Telegram

*General Marshall to President Truman*<sup>71</sup>

[NANKING,] October 5, 1946.

1600. DEAR MR. PRESIDENT: Since my message of October 2nd to Secretary of State (1587) the following has transpired. While I have not yet received a reply from Chou En Lai in Shanghai to the Generalissimo's proposal, Wednesday, October 2nd, his representatives did spend 2 hours with me Friday morning explaining that they had sent the message both to Yen-an and Chou but no answers had been

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<sup>67</sup> Dated October 5, p. 289.

<sup>68</sup> Dated October 6, p. 298.

<sup>69</sup> General Marshall's representative in Washington.

<sup>70</sup> Telegram No. 1587, October 2, p. 271; telegrams Nos. 1588 and 1589, October 2, neither printed. They repeated texts of draft statement of September 27, p. 238, and memorandum No. OSE 476, October 1, p. 267.

<sup>71</sup> Copy transmitted to the Acting Secretary of State by the War Department on October 7.

received. As the message made no reference to Chou's demand for cessation of advance on Kalgan they pressed me to obtain some answer to that specific point. I told them to put their query in writing and I would transmit it but would no longer be a messenger for oral communications. They wished to know if the Generalissimo would abide by the agreement of January 10th which would require all troops to withdraw to their point of location on January 13th. I replied that while I had no positive information on this point my impression was—actually I am certain—that the Generalissimo will insist on maintaining military occupation of the various places or regions recently occupied. While the interview was lengthy it consisted mostly of repetition of past contentions or events.

Last night, Friday, the Generalissimo called Doctor Stuart and me into dinner. We had a conference of about 3 hours. He made a lengthy statement to the effect that my memorandum to him of Tuesday, October 1st (1589)<sup>72</sup> had caused him more distress than anything that had happened in years; that he had searched his thoughts and actions and could not find anything that might have given the impression of ulterior motives or deception; that such would be intolerable for him personally and he felt that we should jointly endeavor to clear up any misunderstandings. He stated that it was unthinkable that I should cease my efforts at mediation and leave China; that this was he thought the most important issue before the world and my mission was of great historical importance. He recited the actions of the Communists which justified his mistrust and which demanded of him, as President, that the security of the country be a first consideration. He referred to the strategical importance of Kalgan as a Communist threat to Peiping as well as a barrier on one rail line south, and for the National Government a point of separation of North China Communists from Manchuria. He said that once Kalgan had been occupied—it may take about 10 days or so—he would be ready to cease hostilities.

In reply I summarized the lengthy negotiations of May and June, pointed out the fact that then, when the Government was in a far weaker North China position than today, he had conceded to me that he would agree to the Communists holding Kalgan but insisted that they must evacuate Chengteh—northeast of Peiping. Today with the Government in possession of Chengteh and the surrounding region, he now asserted that the possession of Kalgan was of vital importance to the Government. I was not disputing the importance of Kalgan, that was a matter for the Government to decide, but the course of events and statements made convince me that while the Communists were demanding a cessation of the fighting, the Government was

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<sup>72</sup> Telegram not printed.

actually pursuing a policy of force. I was also convinced that any negotiations not only specifically included complicated questions which would be time consuming while military operations progressed, but also that the Government's proposal for negotiations now were definitely made at the point of a gun. I could not serve as a mediator under such conditions. I based my discussion on the grounds that there must be no question regarding the integrity of my position or actions, that I could not place the United States Government in a position where the integrity of its actions as represented by me could be successfully questioned.

There was a lengthy discussion back and forth with frequent references by him to the bad faith or unjustified actions by the Communists and my counter examples of questionable action by the Government representatives. He insisted that a solution must be found and that he could not accept my withdrawal. But he did not concede an inch regarding the continuation of the campaign against Kalgan. I think his leaders have carefully played their cards to create this situation believing that, because of Soviet considerations, we would be forced to [go] along with protracted negotiations while the campaign progressed as they desired.

Despite the present vicious Communist propaganda of misrepresentation and bitter attacks, and their stupid failure to agree to the proposal of Doctor Stuart and me for the 5-man group to settle the State Council issue—actuated, we think, through fear of exactly the delays their refusal has led to with its attendant military crisis for them—my view is that the United States Government cannot afford before the world to have me continue as a mediator and should confidentially notify the Generalissimo accordingly.<sup>73</sup>

I believe that this is the only way to halt this military campaign and dispel the evident belief of the Government generals that they can drag us along while they carry through an actual campaign of force. If I am recalled, Doctor Stuart will be here in a position to negotiate if so desired when the two sides reach an impasse as they undoubtedly will, but just when I cannot estimate with any prospect of accuracy.

I therefore recommend that the procedure indicated by the following suggested message from our President to the Generalissimo be considered, it being understood that if the time involved in deciding on, and in sending, the message and in awaiting a reply exceeds a week the prospect is that the Government will have achieved its purpose in capturing Kalgan. Just what the Communists' reaction to that would be, particularly regarding any degree of genuine coopera-

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<sup>73</sup> Remainder of message canceled by General Marshall's telegram No. 1605, October 6, p. 298.



tion in National Assembly or reorganization of the Government, I can only guess. You at home can judge of Soviet reactions. Should you feel that our Government can accept the situation I have outlined until the fall of Kalgan, I will go ahead gladly in my endeavors to bring about a cessation of hostilities.

Suggested message:

"Your Excellency: General Marshall has advised me of the situation regarding his efforts in mediation and of his discussions with you. He has recommended that his special mission be terminated and that he be recalled. He has explained to me, as he informs me he has explained to you, that he feels his continuance in the role of mediation under present circumstances of extensive and aggressive military operations would place the United States Government in a position where the integrity of its action, as represented by him, would be open to serious question.

"I deplore and I know the people of the United States will deeply regret that his efforts to assist in bringing peace and political unity to China have proved unsuccessful, but there must not be any question regarding the integrity of his position and actions which represent the intentions and high purpose of the United States Government. I therefore with great regret have concluded that he should be immediately recalled, and I do so with a full realization of the great consideration and distinguished courtesy with which you and your people have welcomed and received him."

If I am recalled for consultation as suggested in Mr. Acheson's message of October 4 (82325), or otherwise, I think a declaration of policy and directions regarding United States personnel in Executive Headquarters and the Military Advisory Group can await my arrival home, leaving Doctor Stuart possibly to profit by the effect of my withdrawal. Naturally the contents of this paragraph should not be made known to the Generalissimo.

The message should be sent through our Embassy here for delivery by Doctor Stuart in order to save time involved in Chinese Washington Embassy use of commercial communications. While there is still time for the Generalissimo to reverse himself, I think it of the greatest importance that no intimation of this action leak into the press where it would do irreparable injury to the Chinese Government in favor of the Communists. Finally I believe that while the Communists would welcome my action from the viewpoint of possibly forcing the Government to terminate hostilities they actually would be much worried to have me leave.

893.00/10-546 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 5, 1946—1 p. m.

[Received October 6—5 : 35 p. m.]

1601. The two questions posed in Deptel 803, September 27, 8 p. m.<sup>74</sup> will be answered in separate telegrams.

Question No. 1: Original positions significant changes of position and most recent stands of Kmt,<sup>75</sup> CCP<sup>76</sup> and other political elements regarding number of seats to be assigned each in State Council and regarding number of votes necessary to exercise veto.

Answer No. 1: PCC agreements<sup>77</sup> (Embtel 201, Feb. 1<sup>78</sup>) provided for State Council of 40 members, 20 of whom would be Kmt and balance from other political parties and groups. Agreements provided that "the exact number from other political parties and prominent social leaders who are to serve as State Councilors will form the subject of separate discussions." At time of breakdown of PCC Steering Committee meetings on April 9, (Embtel 655, April 10<sup>79</sup>) no final decision on this question was reached between non-Kmt groups and this problem was to be subject for discussion by "Five Man Committee" proposed by me. (Embdes 33, August 7<sup>80</sup>.)

During March official news releases and editorial discussion of PCC agreements in vernacular press suggested that Government might assert right to nominate all members of State Council in view of PCC provision that "the State Council will be chosen by the President of the National Government from among the Kmt members as well as non-members of the Kmt." At PCC Steering Committee Meeting on March 20, however, it was agreed (Embtel 541, March 21<sup>81</sup>) that Central Executive Committee of Kmt would nominate only Kmt members of State Council and that other members would be nominated by their respective parties and, in the case of non-party membership, nomination was to be by Gmo.<sup>82</sup> This agreement, perhaps better referred to as an "understanding", was in accord with section of PCC agreements which states that "the appointment of State Councilors by the President of the National Government will be made on the nomination of the different parties concerned." This supplementary understanding has not been published, but it seems clearly

<sup>74</sup> *Ante*, p. 237.

<sup>75</sup> Kuomintang.

<sup>76</sup> Chinese Communist Party.

<sup>77</sup> For texts, see *United States Relations With China*, pp. 610-621.

<sup>78</sup> Not printed.

<sup>79</sup> Vol. ix, p. 167.

<sup>80</sup> *Ibid.*, p. 1465.

<sup>81</sup> *Ibid.*, p. 158.

<sup>82</sup> Generalissimo Chiang Kai-shek.

established that the Govt now considers the selection of non-Kmt State Councilors will be by each party concerned.

As to question of allocation of seats, as between several parties or groups, at time of last PCC Steering Committee Meeting Government was advocating that non-Kmt membership be divided as follows: Communists, 8; Democratic League, 4; Youth Party, 4; non-party groups, 4.

[It is?] anticipated that the Government will oppose a division of membership that will give the Communist-Democratic League bloc a clear-cut veto power in the State Council. It is the Government's contention that control of 14 votes by the Communists and Democratic League would confer upon the Communists a permanent and unwarranted power for obstructionism. It seems probable that any Government move to defeat the establishment of veto power by a Communist-Democratic League bloc will take the form of Government support of Youth Party aspirations for greater representation in the State Council or to oppose any move that would reduce Youth Party or non-party representation in order to increase that of the Communists.

For their part the Communists maintain that in conjunction with the Democratic League they must have a total of 14 seats in order to protect the entire PCC structure inasmuch as the PCC agreements provide that "if a resolution before the State Council should involve changes in administrative policy, it must be passed by a two-thirds vote of the State Councilors present." It is the Communist contention that otherwise the entire PCC program would be vulnerable inasmuch as they consider the Youth Party a creature of the Kmt and assume that the non-party members, appointed by the Gmo, will tend to side with the Kmt.

Attitude[s] of parties and groups other than Kmt and Communists have not been and are not definitely important at this time. Agreement between Kmt and Communists is basic requirement at the present time. If such agreement can be achieved and civil liberties enumerated by PCC agreements placed in practical effect, it may be hoped that other parties and groups, freed from the necessity of attaching themselves to either of the most powerful factions, may affect positive [apparently garbled] overall political scene by establishing a middle ground between totalitarianism of the right and the left.

At the moment the Communists, suffering serious military reverses, place the greatest emphasis on a nation-wide cease-fire agreement. Conversely the Kmt, savoring military success, is reluctant to lose by armistice the impetus of its present offensives.

In answering Communist position announced by General Chou



En-lai on October 1 (Embtel 1572, Oct 2, 11 a. m.<sup>83</sup> and Embtel 1579, Oct 3, 3 p. m.) Ministry of Information on Oct 2 announced *inter alia* that the Government was willing to consider the nomination of a non-party State Councilor by the Communists, which would in effect give Communists 9 seats on State Council or total of 13 seats for Communist-Democratic League bloc. (Embtel 1580 of October 3.)

STUART

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Marshall Mission Files, Lot 54-D270

*Notes on Meeting Between General Marshall and Dr. Stuart at  
No. 5 Ning Hai Road, Nanking, October 5, 1946, 6:10 p.m.*

Also present: Colonel Caughey<sup>84</sup>  
Lt. Col. Hutchin

Dr. Stuart stated he had come to report on a verbal reply from General Chou En Lai, brought to him by Mr. Wang Ping Nan. Mr. Wang had stated that General Chou was acting with authority from Yen-an and hence this constituted an official reply.

The Communists had considered the four points suggested to them by Dr. Stuart on 3 October.<sup>85</sup> Concerning the first point on the membership in the State Council, General Chou En Lai felt that the Communist and Democratic League Parties had the *original right* to 14 members between the two parties, and that arrangements between the two parties would be left up to them. At this point Mr. Wang Ping Nan reiterated to Dr. Stuart all the old arguments of why they need 14 seats in the State Council.

General Marshall said that of course Dr. Stuart realized the Generalissimo would deny that the Communist Party had a *right* to 14 seats.

Dr. Stuart stated that on the second point, the withdrawal from Northern Kiangsu, General Chou said that this could go to the Committee of Three and be settled in conjunction with the reorganization and the disposition of troops agreement.

Point three concerned furnishing the names of the Communist delegates to the National Assembly. General Chou, through Mr. Wang, told Dr. Stuart that this would be all right but there were certain things that the Steering Committee of the PCC really had to clear up first. For example, the number of non-party members in the Assembly had not been agreed. When everybody had a set number of

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<sup>83</sup> Not printed.

<sup>84</sup> Col. J. Hart Caughey, Executive Officer on General Marshall's staff.

<sup>85</sup> See last three paragraphs of notes on meeting of October 3, p. 274.

delegates to the Assembly, then the Communist Party would be ready to proceed.

As for the 4th point concerning the Communist withdrawal from Tatung, General Chou stated that the Communist Party had already made that announcement.

Other points brought up by Mr. Wang Ping Nan included the general cessation of hostilities order; the fact that fighting should stop now, especially at Kalgan; etc.

General Marshall then stated, "Let's see what they have given us as a reply to our suggestion." As he saw it the Communist Party had accepted none of the proposals of the mediators. Having accepted none, it looks like no progress resulted from their delay while waiting for an answer from General Chou.

General Marshall also pointed out that in the section of Mr. Sprouse's report concerning the PCC,<sup>86</sup> he remembered that the minority parties were unable to decide on the representation ratio. Because of this, they requested the Generalissimo to propose what the ratio should be. The Generalissimo then suggested the ratio at 8-4-4-4, and there the matter remained—in disagreement. General Marshall was certain the Generalissimo would deny that the Communist Party and the Democratic League were to have 14 minority votes.

As for Kiangsu being handled in the Committee of Three, General Marshall pointed out that anything settled in the Committee of Three required unanimous agreement, that Chou En Lai could object and thus preclude there being an agreement. As a result no adjustment of differences appeared probable there.

As for the number of delegates in the National Assembly belonging to a particular party, that requires unanimous vote by the Steering Committee of the PCC. Each party has one vote and hence any one party could keep the issue from being settled, with the result that the Communist Party would never have to announce their list of delegates.

In short, it would appear that none of General Marshall's and Dr. Stuart's suggestions were accepted.

Dr. Stuart stated he had been thinking about one other thing and that concerned the Generalissimo's nomination of the 4 non-party members to the State Council. He thought that the PCC's agreements provided that  $\frac{1}{3}$  of the 36 *party* members could veto the nomination of any one of the *non-party* members. In other words, the Communist Party and Democratic League Party, 12 or 13 seats together, would constitute a sufficient veto of any non-party delegate that was not acceptable to them.

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<sup>86</sup> Probably a reference to the chapter on the PCC in the Final Report (not printed) which was being written at this time.

Marshall Mission Files, Lot 54-D270

*Notes on Meeting Between General Marshall and Dr. Stuart at  
No. 5 Ning Hai Road, Nanking, October 5, 1946, 9 p. m.*

Also present: Colonel Caughey  
Colonel Hutchin

Doctor Stuart said that the Generalissimo had sent for him to come at 8 o'clock this evening for conference. Generalissimo had indicated he was willing to agree to stop advances for a period of five days, possibly even longer if the mediators insisted. The conditions being imposed by the Generalissimo were that the Communists would meet immediately on both committees, the Committee of Three and the informal Five Man Committee, and that Kalgan would be the first issue negotiated. The Generalissimo asked for both Doctor Stuart and General Marshall to see him tomorrow morning, 6 October, at 10:30.

General Marshall thought that the Communists would not agree to any cession of Kalgan. They would immediately challenge the procedure on the basis that the Government was imposing a condition regarding Kalgan which, though they had halted their offensive, would give them the objective—Kalgan without a fight.

General Marshall and Doctor Stuart agreed that they would go see the Generalissimo at 10:30 tomorrow.

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Marshall Mission Files, Lot 54-D270

*Memorandum by Mr. Tung Pi-wu to General Marshall*

NANKING, October 6, 1946.

DEAR GENERAL MARSHALL: In response to your request for putting into writing the issues about the National Assembly, the following points are formulated:

(1) The distribution among the various parties and nonpartisans of the increased National Assembly seats agreed upon in the PCC has already been completed. However, as to how the non-partisan representatives whose number has been fixed would be produced, the various parties still hold divergent views, and no decision has yet been made thereon.

(2) The geographical and vocational representatives for Hopei, Shantung, Chahar, Jehol, Shensi-Kansu-Ninghsia Border Region, nine Manchurian provinces, and the three cities of Peiping, Tientsin and Tsingtao, have not yet been elected. Among these representatives, the total number of Communists was decided upon in the course of a negotiation between Government delegates Messrs. Chang Chun, Wang Shih-chieh and Shao Li-tze and Communist delegates General Chou En-lai, Messrs. Tung Pi-wu and Wang Jo-fei. But no detail



provisions were crystallized. The negotiation was subsequently broken down owing to the infringements upon the PCC resolutions.

(3) After the PCC meetings, the Government proposed a further increase of the National Assembly seats. Regarding their allocation, no minute discussion has been conducted.

The foregoing is [*are*] the actual issues concerning the National Assembly representatives.

The Government unilaterally decided to convoke the National Assembly on Nov. 12, 1946. However, the Communist Party has already publicly announced that it is in no way committed to this one-sided resolution which was not taken through consultation in the PCC.

The sole function of the National Assembly is to institute the constitution. In virtue of one of the PCC resolutions, the National Assembly should discuss and adopt the constitution on the basis of the Draft Constitution revised by the PCC. Therefore, inasmuch as the task of Draft Constitution reviewing undertaken by PCC still remains unfinished, any unscrupulous convening of the National Assembly would inevitably entail unforeseen troubles. Your attention is hereby drawn to the afore-mentioned.

Faithfully yours,

TUNG PI-WU

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Marshall Mission Files, Lot 54-D270: Telegram

*General Marshall to Colonel Marshall S. Carter*<sup>88</sup>

[NANKING,] October 6, 1946.

1605. Reference my 1600 dated October 5, consider all of that message which follows the sentence commencing "Despite present vicious Communist propaganda etc." shall be considered cancelled and the following paragraphs substituted:

"Sunday, October 6, since the foregoing was written and dispatched to Washington the following transpired: The Generalissimo learned indirectly yesterday evening that I was dispatching a recommendation to the President that I be recalled. He sent for Doctor Stuart and discussed with him the possibility of a truce in the operations against Kalgan to permit of a meeting of the Five Man Group to determine the representation on the State Council and also regarding the announcement of the Communist delegates to the National Assembly, and a meeting of the Committee of Three to determine on the re-organization and redispotion of the troops under the basic agreement of February 25.

This morning Doctor Stuart and I had a 2½-hour interview with the Generalissimo with the following results. He remained unwilling at this time to utilize my previous recommendation for a public state-

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<sup>88</sup> For President Truman. Copy transmitted to the Acting Secretary of State by the War Department on October 7.

ment by him including specific conditions (see 1588 <sup>89</sup>). He insisted upon the method of a ten day truce at this time to meet the situation, during which the Five Man Group under Doctor Stuart would settle upon a representation for the State Council and establish a basis for the announcement of the Communist delegates to the National Assembly. At the same time the Committee of Three under my chairmanship would meet to arrange for the immediate implementation of the program for the reorganization of the Army, the location of the Communist Divisions and schedule of movements thereto. He desired that this method be put forward as a proposal of Doctor and myself to which we agreed.

He agreed to the arrangement whereby teams from Executive Headquarters would insure that no movements or actions occurred on either side in violation of the truce. The teams within the Communist lines are not to have a government representative and the teams within the government lines are not to have a Communist representative. The teams between the lines would have a representative from both parties. The American member would have the sole right to determine where and when a team would move and would report on the situation direct.

He further agreed that both Government and Communist Parties should refrain from any announcement regarding the truce, leaving that function to Doctor Stuart and myself.

Chou En Lai's representative here in Nanking will be called in this afternoon and informed in accordance with the foregoing. Under these circumstances the latter part of my message of last night, 1600, should be cancelled but I think it would be to your advantage in reaching an understanding of the situation to read what I then proposed and later directed Colonel Carter to delay in transmission until I could learn this morning the intentions of the Generalissimo.

I will inform you as quickly as possible of the reaction of the Communists."

G. C. MARSHALL

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Marshall Mission Files, Lot 54-D270

*General Marshall to the Ambassador in China (Stuart)*

OSE 491

NANKING, 6 October 1946.

DEAR DOCTOR STUART: I have outlined below my understanding of the arrangement agreed upon this morning between ourselves and the Generalissimo.<sup>90</sup>

You are to notify Wang Ping Nan that we proposed to the Generalissimo a 10-day truce for the operations against Kalgan under the following conditions:

- 1) The purpose of the truce is to carry out the two proposals of

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<sup>89</sup> October 2, not printed; it repeated text of draft statement of September 27, p. 238.

<sup>90</sup> See notes of meeting October 6, *infra*.

the Generalissimo in his communication to me of October 2. (See OSE 479.<sup>91</sup>)

2) During the period of the truce, Executive Headquarters will check on its observance with teams at all critical points composed and directed as follows:

a. Teams within the Communist lines will not have a National Government member and teams within the Government lines will not have a Communist member.

b. The American member will have the authority to determine where and when the teams shall go and will himself report on any actions which in effect could be considered violations of the truce.

c. Between the two forces a team or teams may be located with both Government and Communist representatives.

3) The public announcement of the truce will be made by you and I, and the Government and the Communists are to refrain from any announcement.

G. C. MARSHALL

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Marshall Mission Files, Lot 54-D270

*Notes of Meeting With Generalissimo Chiang Kai-shek at Nanking,  
October 6, 1946, 11 a. m.*<sup>92</sup>

Dr. Stuart and General Marshall saw the Generalissimo at 1100 hours, 6 October, to discuss the matter of truce for the operations against Kalgan. General Marshall did not favor such a procedure. He thought that a short truce would not permit of successful negotiations, particularly with the threat of a resumption of aggressive military action and that he also thought a long truce would be too difficult of accomplishment in view of the complications presented to the military commanders in the field—not to mention their aggressive attitude. General Marshall brought up again for discussion his proposed statement for the Generalissimo which was submitted on September 27th<sup>93</sup> and which involved an immediate cessation of hostilities once the Communists agreed to the *procedure* specified. The Generalissimo did not think it was the proper time for such a statement, besides he could not agree to such a statement on the basis that the Communist agreement to such a procedure would mean an immediate cessation of hostilities. He then insisted that the cessation of hostilities must depend on the successful completion of the meeting of the Five Man Group and of the Committee of Three. This, General Marshall said, completely vitiated the purpose of the statement.

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<sup>91</sup> Not printed; it transmitted text of memorandum of October 2 by Generalissimo Chiang Kai-shek, p. 270.

<sup>92</sup> Apparently written October 7.

<sup>93</sup> *Ante*, p. 238.



The Generalissimo stated that he could not issue such a statement without convening the military leaders from the field as well as the political leaders which would be a time-consuming procedure. He stated, however, that he could order a truce without such a meeting. He proposed that a truce of 5 days be announced on the basis of a Communist agreement to the meeting of the Five Man Group and the meeting of the Committee of Three as outlined in his memorandum of October 2nd. General Marshall insisted that five days would bring no useful result and would only lead to additional misunderstandings and added bitterness. The Generalissimo agreed to a week and General Marshall insisted on a minimum of 10 days. The Generalissimo stated that if, as the end of the 10 day period approached, it appeared that the Communists were in no mood to negotiate, he would lengthen the period; but no such intimation should be given in the beginning. He then requested that the announcement be put forward as a proposal from Dr. Stuart and General Marshall rather than from the Government. To this Dr. Stuart and General Marshall agreed, though it was not their proposal, merely the best terms they could secure.

General Marshall stated that if such a truce were to be carried out, there were several provisions that would be essential. One related to the responsibility for the observation of the truce to be assumed by Executive Headquarters and the special organization of field teams for this purpose (See memorandum, OSE 491, of October 6th to Dr. Stuart). Another condition General Marshall insisted upon was an agreement by the Government and by the Communists that the publication of the terms of the truce was to be left to Dr. Stuart and General Marshall without comment by either side.

At the termination of the meeting, Dr. Stuart returned to the Embassy to request an immediate visit from Mr. Wang Ping Nan in order that the question of the truce and the conditions could be explained to him without delay.

Upon returning to his quarters, General Marshall immediately dictated a memorandum (OSE 491) to Dr. Stuart outlining the conditions of the truce as he understood them, in order to avoid any misunderstanding between Dr. Stuart and himself as to just what the Generalissimo had agreed to. Dr. Stuart confirmed by telephone that his understanding was similar to the written statement just received from General Marshall, that he had seen Wang Ping Nan.

The following morning,<sup>94</sup> General Marshall learned that Wang Ping Nan had not been shown a copy of the written statement of conditions (OSE 491), therefore a copy was sent to him and another copy was sent to General Chou in Shanghai.

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<sup>94</sup> October 7.

893.00/10-746 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 7, 1946.

[Received October 7—8:18 a. m.]

1607. Following is Yen-an reply to Minister of Information's statement (RefEmbtel 1580, October 3) as released in China News Agency October 4th:

In reply to the queries by our correspondent about Peng Hsueh-pei's statement of October 2, the qualified circles here made the following answers: Question: Do you think that Chiang Kai-shek is ready to cease fire? Answer: No, no such indication can be found at present. On the contrary:

1. Chiang Kai-shek's troops are now launching offensive against Kalgan, despite the fact that the Communist Party has seriously informed him and Marshall of the situation: Kuomintang offensive against Kalgan does not cease, it will lead to total national split. The fact that Peng Hsueh-pei in his statement evaded the issue reveals Chiang Kai-shek's determination for a total national split.

2. Chiang Kai-shek is now enlarging his troops, conscripting recruits, raising loans to buy war materials, persecuting democratic people, banning democratic press and even making open propaganda of "suppressing bandits" which means "suppressing Communists". All these show he is ready to fight the civil war to the end.

3. Chiang Kai-shek has time and again refused the proposal for the reopening of the Committee of Three and for cessation of hostilities. But now he suddenly expresses his consent. His plan is to get a ratification from the Committee of Three for his illegal occupation and illegal military movement, which have been made in violation of the cease fire order, and to strangle the Chinese Communist Party and every other democratic force in the country to death. This intrigue of Chiang Kai-shek has been solidly affirmed by Peng Hsueh-pei's statement, in which Peng attempts to use the army reorganization plus a unilateral binding on the people's liberation forces at a time when the army reorganization plan has already been completely broken to pieces by Chiang Kai-shek through the second session of the Kuomintang Central Executive Committee and in his subsequent actions of moving troops, attacking the liberated areas, expanding his army, and effective conscription.

Question: What should be the tasks of the Committee of Three? Answer: First of all, it should unconditionally restore the validity of the cease fire agreement of January 10, that is, all areas occupied by Chiang Kai-shek's troops since January 13, 1946 must be evacuated and all Chiang's troops moved in violation of this agreement since that date must return to their original positions. This is the only legal, rational and effective guarantee. If this cannot be done, we

will determinedly struggle to the end for the realization of the cease fire order and the PCC decisions.

Question: What is the attitude of the Communist Party toward the participation in the National Government and the National Assembly? Answer: The Chinese Communist Party will put this matter under consideration only when the guarantee has been gained for the peace based on the cease fire agreement of January 10.

STUART

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S93.00/10-746: Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 7, 1946.

[Received October 7—7:50 a. m.]

1608. Following is text of release by Communist spokesman Chen Chia-kang in Shanghai on October 2 setting forth Communist view concerning Government proposal for reorganization of State Council and implementation of cease fire agreements sent to Communists (see Embtel 1580, October 3):

“Regarding the two ‘utmost concessions’ cited in the government statement of October 2, Communist spokesman, Chen Chia-kang, opined that they are not concessions at all but another unreasonable demand in contravention of the PCC resolution:

*A. Distribution of State Council seats:*

1. There has been an understanding between the Kuomintang and the Communist Party at the time of the PCC which recognized that a little over one-third of the vote in the State Council (14 seats among 40) was to be given to the Communist Party and the Democratic League in order to ensure that the peaceful reconstruction program of the PCC would not be infringed upon [in] the State Council transactions. This so-called ‘concession’ based on the counting of a non-partisan seat as Communist, really reduces the promised number to 13, thus utterly throwing overboard the previous understanding.

2. Regarding the Communist and the Democratic League seats in the State Council, two propositions have been suggested in the PCC: (a) the 14 seats will be distributed between the Communist Party and the Democratic League by their own deliberations; (b) to appropriate two additional seats to the two parties so that the Communists will hold 10 and Democratic League 6, totalling 16 seats. Both these propositions did not meet with the approval of the Government. However, there has never been such a proposition that the Communists will hold 10 and Democratic League 4 seats. As to the 8-4-4 formula, it was merely advanced by the Government alone, never secured the consent of the Communist Party and the Democratic League.

3. According to the PCC resolution, the nonpartisan State Council members will be nominated by the President of the Government, but in case a nominee meets opposition of one-third of the State Coun-



cillors chosen from the various parties the President has to make a renomination. Thus the nomination of the non-partisan candidates necessarily required the approval of the various parties. The so-called 'compromise plan' prescribing that one of the non-partisan seats which being recommended by the Communist Party will be considered as accepted if he is approved by the government, is obviously an infringement upon the PCC resolution.

4. If the one non-partisan seat thus appropriated is to be considered as a Communist seat, or a pro-Communist and Democratic League seat, then following the same reasoning, all the non-partisan members nominated in accordance with the PCC resolution, i. e., recommended by the Government and approved by the various parties and groups, would also have to be considered as Kuomintang or pro-Kuomintang seats. Thus, instead of increasing the seats of the Communists, it actually increases the Government seats. While nominally being a concession, it actually merely betrays the plot of the Government.

### *B. Disposition of troops:*

1. It should be pointed out that the position to be held by Kuomintang and Communist troops respectively in truce and the garrison places to be entered into by the Kuomintang and Communist troops after the implementation of the Army reorganization are two entirely different matters, which should not be confused with one another.

(a) As to the position to be held by the Kuomintang and Communist troops in truce: The second general directive of Executive Headquarters specified that in China proper 'commanders of both sides should by all means restore the position as of midnight of January 13' [and] during June negotiations, both parties agreed to reaffirm this stand. As to Manchuria, both parties [apparent omission] and agreed during the June negotiation, that troops of both parties should withdraw to positions as of June 7. These had all been recorded, no cheating can be permitted.

(b) Army disposition, after the implementation of the Army reorganization plan, requires that the armies of both parties should, in accordance with the Army reorganization plan and the principle of separating civilian and military affairs, march to the neighborhood of large cities after the commencement of the Army reorganization plan in order to undergo reorganization and training. The local security of places thus vacated will be maintained by the peace preservation corps, while the local governments will remain the same. Thus it can be seen that the principles governing the disposition of the armies have been laid down in the various resolutions a long time ago.

2. A dispute regarding Army disposition did not arise only until:

(a) During the June negotiations the Kuomintang distorted these Army reorganization principles, by demanding a unilateral assignment of Communist garrison areas. Apart from that they further advanced a four-point demand, which was later on enlarged to five points, forcing Communists to evacuate from a number of liberated areas, while at the same time it went beyond the scope of the Army reorganization plan by demanding the abolition of the popularly-elected governments in these areas.

(b) Realizing that by means of negotiations alone they would not attain the purpose of dominating China, the Kuomintang thus embarked upon a course of begging for American arms, instigating civil war, and assaulting Communist cities and countrysides, while at the same time making it known that during the negotiations they must hold all places now under their occupation.

3. If the Government wants to keep faith in peace agreements they should immediately pledge themselves to abide by the cease fire agreement, withdraw troops in China proper to positions as of January 13, and in Manchuria to those as of June 7. Instead of pursuing such a course, the government statement of October 2 tries to avoid the question of the disposition of the Kuomintang and Communist troops, and merely raises the question of Communist Army disposition after Army reorganization. Such a stand is nothing but a repetition of the old tune of the four-point, five-point and other unreasonable demands which, being synchronized with the military drive on Kalgan, serve the sole purpose of forcing the Communists to sign a document of surrender."

STUART

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Marshall Mission Files, Lot 54-D270

*Notes of Meeting Between General Marshall and General C. P. Lee*<sup>95</sup>  
*at No. 5 Ning Hai Road, Nanking, October 7, 1946, 10 a. m.*

Also present: Capt. Soong

General Li stated he learned from this morning's paper that the current situation is turning for the better. This new hope is attributed to the long conferences held yesterday between Doctor Stuart, General Marshall and Generalissimo Chiang, and the meeting between Mister Wang Ping-nan and Doctor Stuart. As a result, a letter was sent to General Chou En Lai by the Communist Delegation here.

General Marshall commented that he and Doctor Stuart have done their best but they still foresee serious difficulties in reaching agreement by both sides. Doctor Stuart felt the present complete mistrust on both sides could be termed as psychopathic.

General Marshall stated his belief that although the Communist Party would like to trust him, it honestly could not, because the Communists are thoroughly convinced that he favors the National Government and does not aggressively endeavor to persuade them to a cessation of hostilities, also that he favors of U. S. Government aid to them.

Although the Communists have a deep respect for Doctor Stuart's integrity, they are beginning to think that Doctor Stuart is taking orders from the U. S. Government, which is totally untrue. This

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<sup>95</sup> Gen. Chen-pien Lee, Director of the Serum Institute of the Chinese Ministry of National Defense.

mistrust against the U. S. was built up due to various types of aid given to the Chinese, the last of which was the recent Surplus transaction. Now it has gotten to the point where the Communists suspect every proposal made by Doctor Stuart and General Marshall. At present, negotiations are centering on the Kalgan issue which is relatively unimportant compared to the big issue of the State Council.

General Li stated that he had seen Mister Hu Lin, the editor of *Ta Kung Pao* who expressed willingness to participate in the committee proposed by him (See enclosure). Mr. Hu would like to hear from General Marshall as to what he should do. General Li also mentioned that although Doctor Wu I-fang<sup>96</sup> is receptive to the idea, she is unwilling to participate due to the delicate nature of the task.

General Marshall then stated that this group might be organized to assist Doctor Stuart and General Marshall in their mission. He mentioned Mr. Mo Teh-hui<sup>97</sup> as a possible candidate since Mr. Mo seems to enjoy the trust from both sides. He asked General Li if it might be possible for Mister Mo to act as chairman of the group. He also stated that Mr. Chang<sup>98</sup> and Mr. Tung both are on Doctor Stuart's committee, and that some other persons should substitute [for] them. Then General Li suggested Shao Li-tze for the Government and Mister Li Wei-han for the Communist Party. General Marshall asked General Li to be the secretary of the committee, and the latter accepted. General Marshall suggested that the group might be called the American Advisory Group.

General Marshall closed the meeting by asking General Li to give him some estimate of Mo Teh-hui's capacity and influence.

[Enclosure]

*Memorandum by General C. P. Lee to General Marshall*

#### AN ADVISORY GROUP

The group may be organized on the invitation from General Marshall and Dr. Stuart as an advisory group to the official Peace Negotiation Committee such as the "Committee of Three". The group will be non-official and can freely discuss and exchange opinions on any problem relating to the present political situation in China. The group may, when asked by General Marshall and Dr. Stuart or the Peace Negotiation Committee, study and try to solve certain political

<sup>96</sup> Miss Wu Yi-fang, president of Ginling College, Nanking, and member of the Presidium of the Chinese People's Political Council.

<sup>97</sup> Member of the Presidium of People's Political Council.

<sup>98</sup> Chang Li-sheng, Chinese Minister of Interior.



problems. The group may also voluntarily hand in recommendations to General Marshall, Dr. Stuart, or the Peace Negotiation Committee.

PROPOSED MEMBERS

Dr. Wu I-fang (*Chairman*)

Mr. Hu Lin

Mr. Chang Li-sen

Shao Li Tze <sup>99</sup>

Mr. T'ung Pi-wu

Li Wei Han <sup>99</sup>

*Secretary*

Gen. C. P. Li <sup>99</sup>

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Marshall Mission Files, Lot 54-D270

*Memorandum by Mr. Tung Pi-wu to General Marshall*

NANKING, October 7, 1946.

MY DEAR GENERAL: I wish to acknowledge your OSE 472 dated 29 September. <sup>1</sup> I share your view that the investigation of Anping Incident should brook no more delay and that it should be concluded at an early date.

After nearly two months of exertions, the 25th Team has interrogated 21 witnesses freely designated by the three branches, conducted 3 field inspections at Anping and interviewed senior American, Government and Communist commanders. Thus, a flood of light has been thrown upon the subject.

The Government branch advanced two witnesses one month after the investigation had been started, namely the oxen cart owner and the "Communist captive", Chien Tien-wen, allegedly taken by the Government troops. Although this already went beyond the agreed scope of investigation, the Communist Commissioner General Yeh Chien-ying made the maximum concession in agreeing to place the questioning of the oxen cart owner under Section (F) of the Program of Procedure. As to the "Communist captive", Chien Tien-wen, General Yeh proposed to query him under Section (G). It appears to me that this proposition of General Yeh's is quite reasonable.

Since the occurrence of the Anping Incident, the Government branch and the 11th War Zone Headquarters flatly denied the participation of Government troops in the conflict at Anping. If none of them took part in the conflict, the question would arise as to how they could take the "captive". In the event that he was but an Anping resident captured after the joint occupation of that city by American and Nationalist forces, he could not only by no means be re-

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<sup>99</sup> Added at General Marshall's suggestion.

<sup>1</sup> Not printed; see telegram No. 1581, September 29, p. 242.

garded as a captive, but also have no connection with the incident. Therefore the assertion of his being a "captive" must be preceded by the premise that the Government did participate in the incident.

It thereby appears a very logical proposition that the "captive" be interrogated after the interrogating of the witnesses concerning the participation of Government troops in the conflict, under Section (G).

I do not find myself in a position to accede to your procedure that the American member be instructed to unilaterally take testimony of the two witnesses and, if necessary, to submit his own report of the entire affairs. Any insistence upon realizing this procedure would mean deliberately disrupting the investigation and would seriously jeopardize the cooperation and friendly relations between the Americans and the Communists.

I hereby suggest that you instruct the Executive Headquarters to act in line with General Yeh's compromising proposition so as to effect an early completion of the investigation.

Awaiting your comments.

On behalf of General Chou En-Lai:  
TUNG PI-WU

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893.00/10-746

*The Ambassador in China (Stuart) to the Secretary of State*

No. 176

NANKING, October 7, 1946.

[Received October 31.]

SIR: I have the honor to report the latest developments in the Kmt-CP conflict. Since my previous despatches (no. 76 of August 30, no. 139 of September 18, and no. 154 of September 25, 1946<sup>2</sup>) have given some indication of the tedious procedure which has been followed it may not be desirable to go into such full detail again, particularly as the Embassy has kept you fully advised of the public statements and inspired press comments, which have been all too plentiful.

With the return of President Chiang to the capital, General Marshall and I conceived the idea of submitting to him a suggested draft of an open letter for him to publish, urging the Communist Party to resume negotiations, adopting an irenic and generously conciliatory tone and giving very specific, clearly understood conditions for the issuance of a cease-firing order. At the same time, we decided to send a joint letter to General Chou En-lai requesting him to return to Nanking. We tried to express this in the most friendly spirit.

General Marshall had an opportunity to present on September 27 the letter he had drafted to President Chiang. The latter's first re-

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<sup>2</sup> *Ante*, pp. 111, 201, and 223.

action was definitely favorable, but the changes he suggested in the draft bespoke of a desire to capture the strategic stronghold of Kalgan before ending hostilities. This intention became increasingly clear to us during subsequent consultations and we came to know that some of President Chiang's more reactionary advisers urged him strongly on such a course of action. Meanwhile Chou En-lai replied, refusing to leave Shanghai or take any part in negotiations until the advance against Kalgan was abandoned.

With the manifest intention of the Government to take Kalgan before putting a stop to the fighting the position of General Marshall became intolerable. He was acting as a mediator with one party demanding that the attack on Kalgan cease, while he himself was fully aware that the other party had determined to capture that place despite his protests. He informed President Chiang that he felt forced to ask President Truman to recall him at once since his position under such conditions compromised his own integrity and that of the United States Government. Very reluctantly I have had to agree with him—that this was the only course he could honorably take. My own part in this effort at mediation had been giving me much concern but as long as the negotiations were not broken off I satisfied my conscience with the hope that a solution might soon be found.

After consultation with General Marshall I proposed to the Communist Party representative that they agree to the following four points which would give us a basis upon which to recommend to the Government that the advance against Kalgan be stopped:

1. The acceptance of thirteen Communist-controlled votes in the State Council (see my despatch no. 139, September 18 and Embassy's telegram no. 1580, October 3, 1946).
2. To withdraw troops from North Kiangsu.
3. To entrust the names of their delegates to the National Assembly to General Marshall or myself to be turned over to the Government at our discretion.
4. To lift the siege of Tatung.

Three days later the reply came from Chou En-lai in Shanghai objecting to all four points, but agreeing to come to Nanking to meet with either the Three- or Five-Man Committee if the attack on Kalgan should cease.

Meanwhile there were constant consultations among President Chiang, General Marshall, myself and others concerned, culminating in a two and one-half hour conference on the morning of October 6. The final outcome of this may be seen in the appended memorandum addressed to Mr. Wang Ping-nan and the reply sent by President Chiang through General Marshall to General Chou. As was true of those preceding, this was a very tense discussion. The issues at stake



were enormous. I shuddered in trying to imagine the consequences if General Marshall stood firm in his decision to ask to be recalled. But he and President Chiang both showed themselves to be truly great men. The former faced unflinchingly the ethical principles involved and foresaw the stain forever after upon our country's honor if he acted otherwise. The latter, proud and stubbornly determined, sensitive to the loss of personal and official prestige, and deeply conscious of his own moral responsibility to his people, mastered his earlier impulses and graciously deferred to General Marshall's judgment. This final meeting took the form that I had been hoping for of genuine consultation in an effort to find the best solution for a common problem, with restored friendliness between the two men and heightened mutual respect. To me it brought indescribable relief.

Immediately upon my return home I sent for Mr. Wang and the promptness with which he arrived seemed to indicate the Communist Party's desire to have something happen. I gave him the substance of the memorandum which he said would be promptly transmitted to General Chou and I confirmed it on the following day in written form.<sup>3</sup>

Respectfully yours,

J. LEIGHTON STUART

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Marshall Mission Files, Lot 54-D270

*Oral Statement by General Chou En-lai for Ambassador Stuart*

[SHANGHAI,] October 8, 1946.

Reply from Yen-an as follows:

1. The truce should be without a time limit because, based on previous experience, it would otherwise be unsatisfactory. The proposal would seem to be a strategy unless the Government troops were withdrawn to their original positions, thus demonstrating the sincerity of the Government.

2. The Communist Party wishes to have the Three- and Five-Man Committees to meet but the discussion should not be limited to the two paragraphs of the October 2nd communication of the Generalissimo. These topics dealt with under truce conditions may be regarded as under military coercion.

3. No reply had been sent to the communication of October 2nd because the Communist Party had been hoping to have some word from General Marshall and Dr. Stuart clarifying the situation for peace. The latest proposal implies that the situation has not changed much.

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<sup>3</sup> Not printed; it repeated terms in General Marshall's OSE 491, October 6, p. 299.

General Chou is therefore preparing to send a formal written reply and sees no need for his returning to Nanking.

(NOTE) Mr. Wang Ping Nan called on Dr. Stuart to relate the above information verbally. Dr. Stuart then prepared the above and verified it with Mr. Wang as to accuracy.

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Dr. Stuart at  
No. 5 Ning Hai Road, Nanking, October 8, 1946, 11:45 a. m.*

Also present: Colonel Caughey

Dr. Stuart handed General Marshall a copy (attached) of General Chou En Lai's oral reply <sup>4</sup> to General Marshall's letter dated 6 October to Dr. Stuart <sup>5</sup> (later forwarded to General Chou En-lai) concerning the arrangement for stopping National advances on Kalgan.

General Marshall asked Dr. Stuart what his reaction was to General Chou's reply. Dr. Stuart stated that his reaction was unfavorable in that General Chou's reply demands an overall cessation of hostilities, whereas his previous indications were that the Communist Party would be willing to negotiate providing the Kalgan advances were stopped.

General Marshall stated that this reply places him in a position entirely opposite from the one held previously in opposing continued aggressive military action. Now the Government has offered at least a temporary cessation and the Communists decline.

General Marshall asked Dr. Stuart what his reaction would be to calling Dr. Wang Ping Nan and Tung Pi-wu to the house this afternoon at 4 o'clock for a meeting. Dr. Stuart replied that he thought this would be a good idea since he found himself in a position of being unable to understand the present Communist attitude. A meeting would give him an opportunity to determine if their attitude in effect was any different than that represented by General Chou's reply. Dr. Stuart then stated that he felt the first thing that should be done is to publish an objective statement, not placing on either side any responsibilities or accusations.

General Marshall then dictated a press release and asked Dr. Stuart to get together with Mr. Connors to review the statement prior to its publication but to release it as soon as possible,<sup>6</sup> giving American correspondents first consideration.

General Marshall concluded by stating that General Chou En-lai's

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<sup>4</sup> *Supra.*

<sup>5</sup> OSE 491, p. 299.

<sup>6</sup> See *infra.*

reply appears to make further negotiations impossible and that the Government now will find justification for continuing the advances on Kalgan. He said that at the 4 o'clock meeting this afternoon he would try to ascertain the true attitude of the Communist representatives and endeavor to determine what course of action we should next pursue.

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Marshall Mission Files, Lot 54-D270

*Public Statement by General Marshall and Ambassador Stuart*

[NANKING,] 8 October 1946.

On the morning of October 1st General Marshall received through the hands of Mr. Wang Ping-nan, the Communist representative, a memorandum dated September 30th from General Chou En-lai in Shanghai relating the activities of the Kuomintang Party to which objection was taken and concluding with the following paragraph:

"Now I am duly instructed to serve the following notice, which I request you would kindly transmit to the Government: If the Kuomintang Government does not instantly cease its military operations against Kalgan and the vicinity areas, the Chinese Communist Party feels itself forced to presume that the Government is thereby giving public announcement of a total national split, and that it has ultimately abandoned its pronounced policy of peaceful settlement. When reaching such a stage, the responsibility of all the serious consequences should as a matter of course solely rest with the Government side."

In accordance with the request of General Chou the foregoing memorandum was transmitted to the Generalissimo, and on October 2nd he replied in a memorandum to General Marshall relating certain hostile acts of troops of the Communist Party. In this memorandum the Generalissimo proposed, with a view to saving time and as indicating the sincerity of the Government, the following as the maximum concessions the Government would make in the solution of the present problem:

"1) The Chinese Communist Party has been incessantly urging the reorganization of the National Government. This hinges on the distribution of the membership of the State Council. The Government originally agreed that the Chinese Communist Party be allocated eight seats and the Democratic League, four, with a total of twelve. The Chinese Communist Party, on the other hand, requested ten for themselves and four for the Democratic League with a total of fourteen. Now the Government makes a fresh concession by taking the mean and offering one seat for the independents to be recommended by the Chinese Communist Party and agreed upon by the Government, so that, added to the original twelve, it makes a total of thirteen seats.



But the Communist Party should without delay produce the list of their candidates for the State Council as well as the list of their delegates to the National Assembly. This reassignment of seats should be decided by the proposed group of five to be confirmed by the Steering Committee of PCC.

"2) For immediate implementation of the program for reorganization of the army, the location of the eighteen Communist divisions should be immediately determined and the Communist troops should enter those assigned places according to agreed dates. The above should be decided by the Committee of Three and carried out under the supervision of the Executive Headquarters."

This communication was immediately transmitted to the Communist representatives and they, later on in the week, called on the American mediators with a request for information as to whether the memorandum of the Generalissimo of October 2nd was a reply to General Chou's memorandum of September 30th, as no mention of Kalgan was made.

There followed a series of discussions between the Generalissimo and General Marshall and Ambassador Stuart which finally resulted in the acquiescence of the Generalissimo that he halt the advance on Kalgan for a period of 10 days during which the Five Man Group and the Committee of Three would meet in order to consider the two proposals of the Generalissimo in his communication of October 2nd. The Generalissimo further agreed that during the period of this truce Executive Headquarters would check on its observance with teams at all critical points and that Government representatives would not accompany teams within the Communist lines while the Communist representatives would not accompany teams within the Government lines. Also that between the two forces, teams will be located with representatives from both sides. Further that the American member would have the authority to determine where and when the teams would go and would himself report on any actions which would, in effect, be considered violations of the truce.

The Generalissimo further agreed to the arrangement that the public announcement of the truce would be made by the American mediators and that the Government and the Communists were to refrain from any announcement.

This information was transmitted immediately at 1:30 on October 6th to the Communist representative, Mr. Wang Ping-nan for transmittal by him to General Chou En-lai in Shanghai.

Today, Tuesday October 8th, Mr. Wang Ping-nan delivered verbally the reply from Yen-an through General Chou En-lai, the substance of which was as follows:

[Here follows text of reply as printed on page 310.]

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*Minutes of Meeting Between General Marshall, Dr. Stuart, Mr. Tung Pi-wu, and Mr. Wang Ping-nan at No. 5 Ning Hai Road, Nanking, October 8, 1946, 4 p. m.*

Also present: Colonel Caughey  
Captain Soong  
Mister Wu

GENERAL MARSHALL: Doctor Stuart brought me Chou En Lai's reply immediately after you gave it to him, and I sent a copy to the Generalissimo. Doctor Stuart told me of his remarks to you at the time of the delivery of this statement and there is no necessity of my repeating what he has already said. I only wish to add that I am completely baffled as to what your position is now. Doctor Stuart and I have made exhaustive efforts to get the Generalissimo's agreement to halting the offensive against Kalgan and to his agreement to as much as 10 days of the truce. So I repeat again that I am baffled by your Yen-an reply. What concerns me most is that when Doctor Stuart and I were utilizing every pressure at our command, to halt the operations against Kalgan, we were told frequently that the Communist reaction would be one of further complications, that General Chou's statement in his memorandum to me of 30 September, in the last paragraph of which he expressed certain demands, would be immediately followed by other complications. I disavowed that because it seemed to me that what the Communist Party evidently desired was the cessation of the advance against Kalgan, and that is what I was talking about. Apparently I was entirely wrong, judging from this, and certainly Doctor Stuart was wrong judging from his comments to me resulting from his conversations with you two gentlemen.

In early August, Doctor Stuart and I proposed a certain procedure, the Five Man Group, in the hope that the initiation of that meeting would provide us with some basis for forcing an arrangement for the conclusion of hostilities. Yen-an twisted that into a Government effort to provide delay as a cover for their campaign. You evidently did not believe us when we told you that that was purely our proposal and it was only with great difficulty we got the Generalissimo to agree to it. As a result of this attitude, certainly there have been delays during which military operation[s] have proceeded. Greater delays could not have been possible under the proposal of Doctor Stuart and myself.

Now here again Doctor Stuart and I make a definite effort, far greater than you gentlemen evidently comprehend, to obtain what General Chou was asking for, with this futile result.

Now: It was to be assumed from the documents in the case and the statements made that you were desirous of having the offensive operations against Kalgan halted at the earliest possible moment and yet two days have elapsed, during which the operations go on, before we obtained any reply. General Chou remains in Shanghai to make the negotiations the more difficult. My question is, "What now do you expect of Doctor Stuart and myself, if anything?"

MISTER TUNG: In the past we did not have any misunderstanding of your, General Marshall's and Doctor Stuart's, efforts for peace but later, when the Government agreed to the Five Man Group, it was not made clear as to one point because the Government insisted upon putting the question of cease firing to discussion in the State Council.

GENERAL MARSHALL: That is incorrect.

MISTER TUNG: The foregoing statement was made by the Government representatives, Wu Teh Chen and Chang Li-sheng, personally to me.

GENERAL MARSHALL: I corrected the misunderstanding in a direct statement.

MISTER TUNG: There was a difference of opinion between the Government and you and Doctor Stuart. For a long time we did not get any assurances for cease firing so the proposal remains without any result.

GENERAL MARSHALL: I gave the Communist Party, in writing, the Generalissimo's statement regarding the Committee of Three and regarding the local Government issue.

DOCTOR STUART: And I explained that Mr. Wu and Mr. Chang were instructed to deal only with the Five Man Committee and the matters of the State Council membership and the veto; and that they had no instructions to deal with anything else. As soon as the State Council issue was satisfactorily agreed upon the Three Man Committee would meet at once and deal with the military aspect.

MISTER TUNG: But Mister Wu and Mister Chang did not understand the matter as you have just explained it.

DOCTOR STUART: But I gave them that understanding. At the time I took the responsibility of obtaining the understanding, I also asked those two men if I was correct and they said yes.

GENERAL MARSHALL: I also brought back from Kuling from the Generalissimo the statement that those two gentlemen were to discuss, the representation and the veto questions, that what the Generalissimo would not permit them to do was to negotiate outside of a formal meeting. General Chou had been asking Doctor Stuart to negotiate the points at issue before the meeting actually took place.

DOCTOR STUART: And that is what I told them.



GENERAL MARSHALL: I also informed General Chou En Lai that the proposal for the meeting and the points to be discussed came from Doctor Stuart and me and, therefore, the delegates would not have been instructed to discuss the military issues.

MISTER TUNG: Regarding the issue of cessation of hostilities, great confusion has been aroused back and forth and memoranda were exchanged on that point. Finally it was learned that the Government could not give the guarantee of cease fire, neither could General Marshall or Doctor Stuart. So it has been delayed on that account.

MISTER WANG: The main point at issue is the guarantee of the cessation of hostilities. We could not obtain such guarantee either from the Government or the mediators. Therefore, we could not go ahead with the proposal. This point has been made many many times before.

MISTER TUNG: General Marshall and Dr. Stuart's efforts are explained to us in one way by you gentlemen. However, the Government action gives a different explanation of your efforts in this proposal. General Marshall has said that the Communist Party felt this proposal was brought up by the Government, not by the mediators. That is what the Government offers as explanation of your efforts in this proposal. That is the reason we have not been able to accept.

Regarding this point, General Chou's memorandum dated 30 September demanded the Government not to attack Kalgan. As a result of General Marshall's and Doctor Stuart's efforts you have obtained a 10-day truce, however that is not what we expected. We want to have a complete stop in the offensive against Kalgan. This also includes the vicinity of Kalgan—the operation against those areas must also cease. If the Government is really sincere in their attitude then they should withdraw their troops to their original position.

During this 10 day truce, the Government could very well take other steps although offensive operations cease—they could reinforce their troops. Therefore, in case the Communists do not accept the arrangement the Government is in a position ready to attack again.

GENERAL MARSHALL: They cannot do that. By doing that they would break the truce and American officers would report it.

MISTER TUNG: Nonetheless, that is our point of view.

GENERAL MARSHALL: I stipulated that the American officer member of the team could go wherever he wanted to. He was the sole decider. The crucial part of the truce was that the American officer would go wherever he wanted to and whenever he wanted to. I insisted upon that because I anticipated that the Communists would say just what has been said and I was certain the Government would say the same thing about the Communists. The only protection possible was that the American officer would go here and there and tell me what was

being done and whether everything was being carried out in good faith.

MISTER TUNG: There was a field team in Kalgan which was withdrawn very recently. Now, a great many field teams are in Peiping.

GENERAL MARSHALL: They are ready with planes to go out to special points, of which I have already been notified. I merely mean to illustrate that I do not think your argument is a sound one. The Government has exactly the same fears of the Communists—that the Communists would profit from the 10 day delay and regroup their people.

MISTER TUNG: I would like to repeat our viewpoint. We want a cessation of the attack on Kalgan indefinitely. As General Chou has expressed before, the Government should follow their sincerity by their deeds—by facts. Regarding Kalgan, the only way the Government can show its sincerity is by withdrawing their troops to the original position. That is our viewpoint. I would like to hear yours.

In the memorandum from General Marshall and Dr. Stuart to the Communist Delegation informing them about the 10 day truce it is said that the Communists should immediately carry out the two suggestions in the Generalissimo's memorandum. We feel that this demand is actually an expression of the victor over the vanquished. It is not an attitude which should be expressed by a party negotiating with another equal party. In the June discussions almost 90% of all difficulties were ironed out, but the Government wanted to carry on their program of fighting, therefore we did not secure the final agreement. Today, under similar circumstances, the Communists feel that they cannot accept that proposal.

As to the discussion after the fighting stops, both sides should be able to determine what should be discussed—not merely one side saying what will be taken up.

Regarding the Generalissimo's memorandum dated October 2nd, the reason General Chou is delaying answering this memorandum is that he hoped that through the efforts of General Marshall and Dr. Stuart, the Government would be made to realize this condition and change their war policy. Now, we have found out that such effort has been carried out by Dr. Stuart and General Marshall already and we have lost our hope. General Chou is now preparing a reply to the Generalissimo.

We appreciate very much the efforts of General Marshall and Dr. Stuart and their position in mediating the Chinese internal affairs, but today China is in a very serious turmoil of civil war. We hope General Marshall and Dr. Stuart can on one hand report to the United States Government to stop its one-sided aid to the Chinese Government and on the other hand we hope General Marshall and Dr. Stuart can have a fair mediating process which would be acceptable by both sides.

GENERAL MARSHALL: My reply to that is I don't accept the statement regarding the United States Government and I don't like the inference of the second portion of your statement. My impression at the present time is that I very much fear my efforts in negotiations have terminated. That is all I have to say.

DOCTOR STUART: I would like to add something else. The question of good faith of the Government in regard to the operations around Kalgan seems to be amply provided for by the arrangement of the field teams going to Communist territory and to Government territory. This protection is for the Communist troops and assures that the Government troops would keep good faith, because American commanders of the field teams would report at once any violation.

In the 10 day truce period, if the discussion went satisfactorily for the State Council and the other political issues there would be a continued discussion of the military affairs, all of which, if both sides wanted to cooperate in a coalition government and the plan for the constitution, that the cease-fire would have followed very quickly. We took the responsibility in this last proposal of seeing that good faith was kept on both sides throughout the truce and whatever would grow out of the truce in continuing the mediation. Therefore, we feel that the Communists have repudiated our proposal rather than any question of the Government and I don't see that there is anything more that we can possibly even try to do.

MISTER TUNG: I understand everything you said. Judging from past experiences, we don't think this 10 day truce will be of any avail. Under this new proposal the 10 day truce can hardly be sufficient because there will be delays from numerous sources and consequently no result can be accomplished.

Secondly, the Government's condition is that we accept this 10 day truce and we must execute all demands. Such an attitude, including this proposal cannot be accepted by the Communist Party.

MISTER WANG: We cannot accept the two conditions in this proposal. One, the 10 day truce and, two, the condition that we must carry out these two points in the Generalissimo's demand.

DOCTOR STUART: There may be some misunderstanding about that. I would like to try to clear that up. We considered that this was above the plane of victor and vanquished into a conference where the Americans as mediators would try to see that the truce was carried out in the spirit of cooperation in order to find a mutually satisfactory solution in matters like the State Council, National Assembly and the Draft Constitution. As the Government had evidence of the readiness of the Communists to cooperate in matters of this sort, it would



naturally lead to the settling of the military issues dealing with the cessation of fighting around Kalgan and elsewhere on a permanent basis. We believe that that would be the outcome.

MISTER TUNG: These 10 days actually facilitate the operations of the Government.

MISTER WANG: What we need is an expression of sincerity. At the present time the Government can express their sincerity by restoring their troops to their original positions, they can express it by deeds. We agreed to the meeting and we also hope a satisfactory result can be obtained from such a conference. However, if we only confine the discussion to the two points brought forward by the Generalissimo, there can be no result.

MISTER TUNG: I will transmit the contents of this conversation with you today to General Chou En-lai. Mr. Wang and I came here today to discuss certain matters pertaining to the mediation. I merely represent General Chou En-lai in this matter. General Marshall is the chairman of the Committee of Three and General Chou is also a member of the committee. General Chou will come back to Nanking in the future and he will make a reply to the Generalissimo and also take up this discussion with you and Dr. Stuart, personally.

DOCTOR STUART: I would like to say one more thing. We proposed the Committee of Five. The Communists then wanted the Committee of Three and then they wanted the attack against Kalgan to stop. Now this proposal that we have made includes all those three matters; the attack on Kalgan stops, the Committee of Five and the Committee of Three meet. We expected rather hopefully that in those 10 days there would be a start which would lead to all the other things that we believe both sides want. The tragedy of this whole issue, the heart-breaking tragedy, is that each side fears the other. Everything that the Communists said today about the Government, we hear from the Government side about the Communists. Yet we believe both sides can come together by trusting each other and trusting us a little more and can find a solution if they are only willing to make a start. We thought of this truce as making a start to accomplish everything both sides wanted.

MISTER TUNG: The Communist Party first asked for the guarantee of the cessation of hostilities. Only through the failure of that guarantee did they request the Committee of Three.

Marshall Mission Files, Lot 54-D270

*Final Report on the Anping Incident*

PEIPING, 8 October 1946.

Subject: Report of Colonel M. F. Davis on the Complete Investigation of the An Ping Incident of 29 July 1946.<sup>7</sup>

This report of the investigation by Team 25 as completed by me is submitted in accordance with the following directives (copies attached).

a. "Report of Conflict" dated 2 August 1946 to "Field Team No. 25" from The Three Commissioners.<sup>8</sup>

b. "Program of Procedure" dated 10 August 1946 to "Field Team Number 25" and signed by The Three Commissioners.<sup>9</sup>

c. "Team 25 Investigation" dated 3 October 1946 to "Colonel M. F. Davis, U. S. Member, Team 25" signed "Walter S. Robertson, U. S. Commissioner."<sup>10</sup>

*I. Introduction:*

1. Team No. 25 conducted as thorough and complete a fact-finding investigation as the National Government and United States Branches were able to force through under the intensive obstructionist attitude of the Communist Party. The data obtained clearly satisfied the United States Member that the team had established the facts of the incident. (The National Government Member's attitude indicated his concurrence with the U. S. Member.)

2. The Team investigation work, lasting from 4 August to 3 September (inclusive) was continuously handicapped by the delaying attitude of the Communist Party Member and broke down completely on 9 September by an absolute refusal by the Communist Party Branch to complete the investigation.

3. In accordance with your instructions of 3 October (incl. c), I interviewed the last two witnesses of the investigation as planned by the team and thus completed, as an individual U. S. Officer, the prescribed schedule of investigation. Both National Government and Communist Party Members were invited by me to attend these interviews as observers, (Index 58<sup>11</sup>). National Government representatives did attend but no Communist Party representatives were present.

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<sup>7</sup> Submitted to the American Commissioner (Robertson) of Executive Headquarters, at Peiping.

<sup>8</sup> Enclosure 1, p. 328.

<sup>9</sup> Enclosure 2, p. 329.

<sup>10</sup> Enclosure 3, p. 330.

<sup>11</sup> References in this report cited by index numbers not printed.

*II. The Facts of the Incident:*

1. The reported conflict actually occurred on the Peiping-Tientsin Highway just south of a bus station at a road-junction leading east about four hundred (400) yards to the village of An Ping.

Reference—Index No. 14, p 2

2. *Date and time:* 29 July 1946 at about 1205 hours.

Reference (1) Index No. 3

(2) Index No. 5, p 2

3. *Forces involved:*

a. *Communist:* A force of Communist Party troops in strength approximately five hundred (500). The Communist Party troops included members of the 5th Company, 53rd Regiment, 8th Route Army, and of the Tung Hsien (Tung-Chow) Battalion.

Reference (1) Index No. 2

(2) Index No. 3

(3) Index No. 36, p 9, last statement

(4) Index No. 36, p 25, line 21

(5) Index No. 37, p 12, last line and  $\frac{2}{3}$  page 13

(6) Index No. 61, p 5

b. *U. S. Marines:* A U. S. Marine Supply Convoy of twenty-three (23) vehicles with armed drivers and guards, totaling forty-two (42) in number, from the 1st Battalion, 11th Regiment, U. S. Marines.

Reference (1) Index No. 16, p 2

(2) Index No. 31, p 3

(3) Index No. 9, ps 1, 2 and 3

(1) This Marine Convoy included and escorted as casualties:

(a) Two Executive Headquarters sedans with Army Officers, Enlisted Men and one Civilian employee passenger.

(b) One Chinese owned truck carrying CNRRA<sup>12</sup> supplies with Chinese Civilian occupants.

Reference—Index No. 9, p 2

4. *Non-participation by National Government Forces:* No National Government Forces were engaged in this conflict in any manner. The several witnesses were all very definite as to non-participation by National Government troops. It is evident to my satisfaction that National Government forces had *no* relation whatsoever with nor were in any manner a factor in the conflict.

Reference (1) Index No. 30, p 6, middle of page

(2) Index No. 29, p 6, last third of page

(3) Index No. 33, p 15, middle of page

(4) Index No. 33, p 30, first line

(5) Index No. 35, p 5, middle of page

<sup>12</sup> Chinese National Relief and Rehabilitation Administration.



(6) Index No. 45, p 3, bottom of page and first half of p 4

(7) Index No. 36, p 24, middle third of page  
p 36, line 7

(8) Index No. 61, p 5

5. *Commanders of forces involved:*

a. *Communist Party:* Company Commander, Li Ching Chun, of the 5th Company, 53rd Regiment, 8th Route Army.

Reference (1) Index No. 36, p 4, lines 6-8

(2) Index No. 36, p 17

(3) Index No. 36, p 23, last statement

b. *U. S. Marines:* 2nd Lt. Douglas A. Cowin, 11th Regiment, U. S. Marine Corps, who was killed at the start of the action and was succeeded in command by Platoon Sergeant Cecil J. Flanagan, U. S. Marine Corps.

Reference (1) Index No. 9, ps 1, 5 and 7

6. *Responsible officer for planning and ordering the attack:* Communist Party Vice-Commander Wang Chih Tao, commanding that portion of the Communist designated 14th Sub-Military District of Communist Party East Hopei Area, in which An Ping is situated.

Reference (1) Index No. 36, p 1, 1st statement

(2) Index No. 36, p 2, lines 27 to 40

(3) Index No. 23, last statement

7. *Responsible officer conducting the attack:* Li Ching Chun, Communist Party 5th Company Commander of 53rd Regiment, 8th Route Army.

Reference (1) Index No. 36, p 1, statement

(2) Index No. 36, p 2, 6th line from bottom

(3) Index No. 36, p 23, last statement

8. *Events prior to day of conflict:*

a. Marine convoys had customarily used the Peiping-Tientsin Highway for supply and administrative purposes for a considerable time prior to 29 July. Marine Headquarters in China understood that this highway was considered as being National Government territory throughout its length and were not cognizant of any question as to the propriety of their use of this highway. On 23 July, due to spasmodic sniping just adjacent east and west of An Ping, a once-each-three-day convoy had been instituted with armed guards for protection. The 26 July convoy was fired on more heavily than before, so the strength of the guards for 29 July had been increased by some seventeen Enlisted Marines.

Reference (1) Index No. 8, p 2, 3 and 4

(2) Index No. 31, p 2, last  $\frac{2}{3}$  page

(3) Index No. 31, p 3, 1st part of page

(4) Index No. 31, p 5, 1st part of page

b. An Executive Headquarters sedan, traveling alone from Peiping to Tientsin, was subjected to sniping fire at this locality on 28 July.

Reference (1) Index No. 7, par 2

9. *Events of morning of 29 July:*

a. A Chinese commercial truck with the owner and a driver as occupants was captured at the scene of the incident by the Communist Party Forces sometime shortly before noon and taken into An Ping. The truck owner was wounded by Communist rifle fire while being captured.

b. The Communist main body approximately four hundred (400) in strength arrived subsequent to the capture of the civilian truck and were in position with the ambush prepared prior to 1200 hours.

NOTE: The Communist Party Member refused the team interview of these witnesses and by his action (upheld by Communist Party Commissioner Yeh and later by Communist Party Representative Chou En-lai in Nanking) stopped the team's investigation at this Item (F) of its procedure directive.

Reference (1) Index No. 38, p 17, last par.

(2) Index No. 55

(3) Index No. 56

(4) Index No. 60

(5) Index No. 61

10. *Start of conflict:* The convoy was proceeding west toward Peiping at a normal rate of speed (25-30 m. p. h.) and approached the An Ping road-junction just about 1200 noon. The convoy was stretched out with intervals between vehicles of from 50 to 100 yards with the lead vehicle being a jeep driven by the convoy commander, 2nd Lt. Douglas A. Cowin.

As the convoy reached a spot just short of the road-junction to An Ping a road-block was encountered. The block consisted of a row of fairly large size rocks across the road and shortly beyond two un-wheeled Chinese carts.

The lead vehicle came to a halt and the other vehicles reduced speed in closing up distance. On stopping the Marine driver, Lt. Cowin, dismounted and, as he cleared the vehicle, was instantly killed by combined hand-grenades and small arms fire. Simultaneously, the entire convoy was taken under fire and came to a halt in a confused manner, completely disarranged.

NOTE: The details here are rather confused as the ambush was a complete surprise to the Marines with no plans or instructions having been formulated for such an eventuality.

Reference (1) Index 9

(2) Index 31, p 20, middle of page

- (3) Index 31, p 24
- (4) Index 31, p 32, p 2, line 2
- (5) Index 33, p 2, 1st statement
- (6) Index 35, p 12

11. *Continuation of conflict*: The personnel of the convoy took to the side ditches and adjacent cornfields for concealment, and individually returned fire as opportunities were presented.

The main engagement lasted about one hour, and then, with the attackers holding position, a light exchange of fire continued until about 1600 hours.

At some time during the second part of the conflict, the road-block was opened by the Communist Party attackers and a U. S. Marine radio-jeep, with some captured small arms aboard, was pushed through and taken away by Communists.

At about 1545 hours a white flag was exhibited by the Communists and the Marines started back to their vehicles. A few shots were sustained by Marines during this phase. Wounded were then collected and the survivors, with some nineteen vehicles that were serviceable, proceeded to Peiping.

Reference (1) Index 6, p 2, pars 8, 9 and 10

(2) Index 7, p 2, par 6

(3) Index 29, p 2, Maj. Freese

(4) Index 31, pp 30, 25, 34

(5) Index 32, p 7

(6) Index 33, p 21

(7) Index 33, p 4

(8) Index 36, p 24, middle of page

12. *Summation (Reconstructed) of Communist Party Forces' activities in this locality prior to, during and on termination of conflict*:

A Communist Party armed force probably the irregular plain-clothed platoon of the Tung Hsien Battalion was at An Ping by 23 July. This force totaled at least twenty-two (22) persons and was evidently responsible for the sniping fire on the Marine Convoy of 23 July. (See Par. 8)

On 24 July the Tung Hsien platoon was reinforced by the platoon (thirty-six (?) men) of the 53rd Regiment and the combined force totaled an approximate one hundred (100) men. Under the command of Li Ching Chun this force evidently were preparing for the ambush and were at the point of conflict on 28th July as evidenced by the sniping fire on the Executive Headquarters sedan on that date. (Par. 8)

In the early morning of 29 July the ambush was laid and road-blocks established. At the same time the main body, a possible four



hundred (400) in strength, of the Communist Party Force started for the scene of the ambush and arrived there sometime between 1000 and 1200 hours. (Executive Headquarters and Marine participants estimated the strength of the attackers at more than three hundred (300). The Communist Party commander stated that he had a total of fifty-eight (58) men at An Ping on 24 July and the Communist guide testified to leading a force of four hundred (400) 8th Route Army personnel to the scene).

Reference (1) Index No. 36, p 10

(2) Index No. 36, p 25, last line

(3) Index No. 61, p 6

My reconstruction of the Communist Party activity is:

A small force of Communist irregulars were present in this vicinity prior to 23 July and observed the use of the highway by the Marine convoy together with no patrolling or reconnaissance at this locality by National Government troops.

As of 23 July, the possibilities of the ambush being recognized, the Commander, Li Ching Chun, was dispatched with his platoon to complete the plans and make the appropriate preparations.

On the morning of the 29th July the main body arrived and taking up positions were in readiness by 1200 noon when the ambush was consummated.

The ambush was not the success anticipated due to the unexpected strong resistance (convoy had been reinforced and strengthened in fire-power) and after the initial surprise the attackers were more or less pinned down in their positions and as soon as they could they broke off the engagement and withdrew.

13. *Event subsequent to conflict:* A rescue party, organized by the Marine Forces in Tientsin, arrived in the late evening. The bodies of Marine dead and the abandoned vehicles were collected and taken to Peiping.

Reference(1) Index 31, p 13

14. *Casualties:*

a. *U. S. Marines:*

Killed : 1 Officer and 3 Enlisted Men

Wounded or Hospitalized : 1 Officer and 11 Enlisted Men

Reference (1) Index 9, pp 5 and 6

b. *Communists:*

Killed : Eight (8)

Wounded : Eighteen (18)

(This from testimony of Vice Commander Wang Chieh Tao)

Reference (1) Index 36, p 4, line 8 from bottom

*III. Conclusions:*

1. That a Marine convoy consisting of twenty-three (23) vehicles of assorted types, manned by one (1) officer and forty-two (42) men left Tientsin at 0900, 29 July 1946 and did proceed at a normal rate of speed until it reached the village of An Ping, where it was attacked by recognized forces of the Chinese Communist Party, at about 1205 hours.

2. That this Marine Convoy was in no sense an offensive patrol and the guards were solely a protective force to discourage pilferage or banditry.

3. That this Marine convoy was proceeding in accordance with its assigned and customary convoy mission and anticipated no trouble more serious than a chance running encounter with individual dissident Chinese elements enroute.

4. That no National Government personnel were engaged in the conflict. That all evidence presented to the team is the opposite of the Communist Party claim that National Government forces accompanied the U. S. Marine Forces on this convoy.

5. That certain intelligence information regarding at least the approximate size of the convoy must have been known by the Chinese Communist Party Commander since the entire convoy was simultaneously taken under fire as it was drawing to a stop.

6. That this ambush was methodically planned, prepared and executed by the Communist Party Military Forces.

7. That these Communist Forces engaged in the conflict with the full knowledge, consent and orders of their superior commanders.

8. That the Marine convoy personnel were completely unaware of the premeditated danger as evidenced by the disorganized manner in which they deployed and defended themselves, and by the fact that they blindly drove their vehicles into the ambush which had been laid by the Communist attackers.

9. That the Chinese Communist Party representatives, throughout the investigation, have displayed an extremely reluctant attitude in the establishment of facts directly related to the incident; and that due to this reluctance, it must be concluded that the Chinese Communist Party was not interested in establishing facts. The facts established, when evaluated, lead to my conclusion that Chinese Communist personnel deliberately planned, laid and executed a military offensive ambush whose goal was the capture of the convoy and/or the destruction of the U. S. Marine armed guards.

10. Entire responsibility and blame for the An Ping incident with its resultant dead and wounded of Chinese and American soldiers, is attributed to the Chinese Communist Party.

*IV. Chronological Record of the Investigation of the An Ping Incident:*

- 4 Aug. —Senior National Government and United States Members present in compliance with instructions of Director of Operations, Executive Headquarters for Team organization. Senior Communist Party Member failed to appear. No business.
- 5 Aug. —Team organized but due to confusion caused by the Communist Party Member no work accomplished and National Government Member withdrew from Team.
- 6 Aug. —Team organized with new National Government Member. Team procedure suggested by chairman (U. S. Member) and certain witnesses available. Communist Party blocked proceeding. Chairman (U. S. Member) submitted a written report addressed to "The Three Commissioners" to the Director of Operations. The conclusion of this report was that the U. S. Member was convinced "That no impartial team investigation with the Three Branches of Executive Headquarters represented can be accomplished" (Index 10).
- 7 Aug. —Team meeting. No work accomplished due to non-cooperation by Communist Party Member.
- 8 Aug. —A. M. meeting of team showed team at a stalemate with Communist Party Member refusing to interrogate witnesses or visit scene of incident. On oral report to U. S. Commissioner he secured Communist Party Commissioner action that team would carry out planned visit to An Ping, the scene of the incident. Visit was made but with incomplete results as Communist Party Member refused to participate in any interrogation of the several witnesses who were present.
- 9 Aug. —No constructive work accomplished due to Communist obstructionist action.
- 16 Aug. (Incl)
- 12 Aug. —Special Report by U. S. Member to The Three Commissioners recommending action by them that Team could get to work with the investigation (Index #22).
- 14 Aug. —Detailed directive "Program of Procedure" received from Three Commissioners (Index 18).
- 15 Aug. —Team completed Items A thru E, "Program of Procedure"
- 3 Sep. (Unnecessary delays and difficulties throughout this period caused by Communist Party Members).
- (Incl)
- 4 Sep. —Team meetings but no results as Communist Party Mem-



- 9 Sep. ber each day refused to permit continuation of investigation.  
(Incl)
- 7 Sep. —Special Report of U. S. Member to U. S. Commissioner on Impasse (Index 51).
- 9 Sep. —Communist Party Member as chairman assembled Team but no business conducted.
- 9 Sep. —Communist Party Member as chairman failed to call any
- 3 Oct. meetings.
- 3 Oct. —Col. M. F. Davis directed by U. S. Commissioner to complete investigation as an individual (Index 57).
- 4 Oct. —Individual completion of investigation accomplished.  
Work started on report.

M. F. DAVIS

[Enclosure 1]

*The Three Commissioners of Executive Headquarters to Field Team  
No. 25*

PEIPING, 2 August 1946.

Subject: Report of Conflict

1. It is hereby directed that Field Team No. 25 will investigate the reported conflict between the personnel of a United States Marine convoy and an unidentified Chinese force, which occurred 29 July 1946, on the Peiping-Tientsin road in the vicinity of Ta Hsiao San Ho, about 35 miles southeast of Peiping.

2. The Field Team will conduct a thorough and complete fact finding investigation of the entire incident with special emphasis on the identity of the attacking force and the identity of the leaders and individuals responsible for ordering and conducting the attack.

3. Upon completion of the investigation with least practical delay, Field Team No. 25 will return to Peiping and report the results of the investigation to the Three Commissioners.

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CHEN KAI-MIN  
*National Government  
Commissioner*

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YEH CHEN-YING  
*Communist Party  
Commissioner*

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WALTER S. ROBERTSON  
*United States  
Commissioner*

[Enclosure 2]

*The Three Commissioners of Executive Headquarters to Field Team  
No. 25*<sup>13</sup>

PEIPING, 10 August 1946.

Subject: Program of Procedure.

1. It is agreed that the following program of procedure to accomplish the mission assigned to Team No. 25 in our agreed directive of 2 August will be adhered to by that Team in the order enumerated:

*a.* Interrogate and record the testimony of eye witnesses, Major Freeze and Mr. Duke, Executive Headquarters' personnel who were passengers in the motor convoy, escorted by Marine Armed Patrol.

*b.* Interrogate and record the testimony of the U. S. Marine Corps Commander, Lt. Colonel Thomas R. Belzer, and the U. S. Marine Corps personnel who participated in the conflict.

*c.* Visit, interrogate and record testimony of Communist Commander and enlisted personnel of Communist Unit participating in the conflict. (Safe conduct will be issued by both the Government and the Communists, while transportation will be provided by the American Branch within practical limits.)

*d.* Visit the area of conflict to interrogate and to record the testimony of such witnesses as may be made available.

*e.* Visit and interview Major General Keller E. Rockey as Commander, First Marine Division (Reinf), Tientsin; General Sun Lien Chung, as Commander 11th War Zone; and the Senior Communist Party Commander in area where incident occurred.

*f.* Interview and record the testimony of such other witnesses as each Branch considers necessary to establish facts directly related to incident.

*g.* Visit, interrogate and record testimony of National Government unit which Communists allege participated in the conflict and which National Government and First Marine Division Commander, Major General Rockey, denied participated in the conflict.

*h.* Convene in Team Meetings for preparation and submission of report to the Three Commissioners.

It is further agreed that three senior members representing the Three Branches of Team No. 25 will take turns in acting as Chairman of the Team Meetings.

It is further agreed that no distinction should be made between types of witnesses whether they were present at the place of incident during the conflict or not. No witnesses were "arbitrators." Anybody who gave testimony before the Team was a "witness" and the credibility of the testimony of all witnesses would be determined by the Team.

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<sup>13</sup> Notation by the U.S. Commissioner (Robertson): "Not signed until August 14."

It is further agreed that the Team should carry out the entire program of procedure laid down by present agreement and that no pretext should be allowed to prevent them from doing so, unless a change was unanimously agreed upon by the Three Commissioners.

CHENG KAI-MIN	YEH CHIEN-YING	WALTER S. ROBERTSON
<i>National Government</i>	<i>Communist Party</i>	<i>United States</i>
<i>Commissioner</i>	<i>Commissioner</i>	<i>Commissioner</i>

[Enclosure 3]

*Mr. Walter S. Robertson to Colonel M. F. Davis*

PEIPING, 3 October 1946.

Subject: Team 25 Investigation

1. In order to prevent further delay and to conclude United States participation in investigation of the Anping incident by Team 25, you are hereby instructed to:

*a.* Interview and record the testimony of the remaining witnesses commencing today, 3 October 1946.

*b.* Notify National Government and Communist Party Branches of these instructions, including time and place of interview, and, further, that they are invited to designate observers to be present during your interrogation of the remaining witnesses. Transcript of testimony will be furnished each branch if requested.

*c.* Review carefully all Directives from the Three Commissioners outlining the mission of Team 25.

*d.* Submit to the United States Commissioner without delay your own complete report of the entire investigation, if circumstances require, appending the position of the other two branches if made available to you.

2. The above course of action is directed in view of the fact that Team 25 has been deadlocked since 9 September 1946 and unable to complete the investigation in accordance with Directives to the team signed by the Three Commissioners.

WALTER S. ROBERTSON

893.00/10-946

*The Ambassador in China (Stuart) to the Secretary of State*

No. 182

NANKING, October 9, 1946.

[Received October 31.]

SIR: I have the honor to report that on the morning of October 8 the Communist Party representative, Wang Ping-nan, came to inform me of the Yen-an reply to our proposal (see my despatch no. 176 dated



October 7, 1946) which, though sent in the Embassy's telegram no. 1613 of October 8,<sup>14</sup> is recapitulated below for convenient reference:

1. The truce should be without a time limit because, based on previous experience, it would otherwise be unsatisfactory. The proposal would seem to be a strategy unless the Government troops were withdrawn to their original positions, thus demonstrating the sincerity of the Government.

2. The Communist Party wishes to have the Three- and Five-man Committees to meet but the discussion should not be limited to the two paragraphs of the October 2nd communication of the Generalissimo. These topics dealt with under truce conditions may be regarded as under military coercion.

3. No reply had been sent to the communication of October 2nd because the Communist Party had been hoping to have some word from General Marshall and Dr. Stuart clarifying the situation for peace. The latest proposal implies that the situation has not changed much. General Chou is therefore preparing to send a formal written reply and sees no need for his returning to Nanking.

This was in effect a complete rejection. I at once reported this to General Marshall who drafted, with me present, the joint statement issued yesterday. You will note that it is entirely objective in form, thus enabling us to resume our role as mediators if the Communist Party should reconsider their attitude. To help them to this decision we invited Messrs. Tung Pi-wu and Wang Ping-nan to a conference later on that afternoon in which we tried to meet their objections and persuade them to avert the tragedy of thus ending all efforts for a negotiated peace. The only apparent result, however, was their promise to communicate the substance of the conversation to Chou En-lai.

This morning General Marshall has left as quietly as possible for Shanghai in a final dramatic effort to persuade General Chou to return to Nanking. This is the ultimate in humble, kindly-meant activity in mediatorial procedure. In this splendid gesture he is demonstrating his willingness to exhaust all possibilities before abandoning his mission. Whatever the outcome, the impression it will make on the Chinese public will be very great. It will also be abundantly worthwhile in helping to test out more convincingly whether or not there is any real hope of Communist Party cooperation in achieving peace, unity and democracy in China.

Respectfully yours,

J. LEIGHTON STUART

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<sup>14</sup> Not printed.

Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and General Chou En-lai at General Gillem's <sup>15</sup> Residence, Shanghai, October 9, 1946, 11:30 a. m.*

Also present: Colonel Caughey  
Captain Soong  
Mister Chang <sup>16</sup>

GENERAL MARSHALL: I made this engagement to meet you in this manner in order to avoid any publicity.

I had an interview yesterday with Mister Tung Pi-wu and Mister Wang Ping Nan of which you may have received some information. That conversation was so unsatisfactory and the implications so serious that I don't wish to leave anything undone that I might do to try to save this situation. Therefore, I decided to come here to Shanghai to see you.

To simplify the procedure and to amplify your understanding of what happened, I brought the minutes of our meeting yesterday. I think it probably would be best for your own information if you would read them over before we endeavor to discuss matters.

(General Marshall and party departed for a few minutes while General Chou and Mister Chang went over the minutes.)

GENERAL CHOU: I have gone over the minutes. Do you have anything further to say.

GENERAL MARSHALL: Not at the moment.

GENERAL CHOU: I have also read the Chinese text of your joint statement issued by you and Doctor Stuart. I would like to point out that when Mister Tung Pi Wu and Mister Wang Ping Nan called on you there [*they*] were not aware of that joint statement.

There is a point regarding the terms for the 10-day truce of the military operations against Kalgan in which it is stated that the two demands of the Generalissimo advanced on October 2nd will be carried out. In the joint statement there is a different version saying that it was to consider the two points of the Generalissimo. If it is understood that those two points will be carried out it will be still further divergent from the Communist understanding. It would be tantamount to a document of surrender.

GENERAL MARSHALL: Will you repeat that point.

GENERAL CHOU: In your memorandum to Doctor Stuart,<sup>17</sup> you state, "to carry out the two points advanced by the Generalissimo on October

<sup>15</sup> Lt. Gen. Alvan C. Gillem, Jr., Commanding General, China Service Command, U. S. Army, at Shanghai. On October 11 General Gillem became Commanding General, Peiping Headquarters, and American Commissioner of Executive Headquarters at Peiping, in succession to Walter S. Robertson.

<sup>16</sup> Chang Wen-chin, secretary to General Chou En-lai.

<sup>17</sup> OSE 491, October 6, p. 299.

2nd" and in the joint statement, it is said that both parties in the discussion would consider the points. (General Chou marked portion of press release and letter from General Marshall to Doctor Stuart, copy of which was forwarded to him, and passed them to General Marshall to read).

GENERAL MARSHALL: Before I read these I would like to say that I dictated both papers, one in five minutes and the other in ten.

What you are now talking about is my English rather than the Generalissimo's intention; so, what can be done to clarify that is apparently the question. I dictated both papers. I don't see that there is very much for me to say. I can say, however, that neither of these papers were seen by the Generalissimo. They were my dictation. I sent Wang Ping Nan a copy of this memorandum for Doctor Stuart on my own initiative. I dictated this press release very hurriedly, though I had this folder (indicating folder with all of the current memoranda) and Doctor Stuart and Colonel Caughey listened to me. Again, the Government did not see these papers. They did not see the release before they read it in the paper.

In my dictation I endeavored to condense the several letters except for the final paragraphs. I did that with General Chou's memorandum and I did that with the Generalissimo's memorandum. Now the paragraph that I did not quote, which apparently would have avoided this present confusion reads, "with a view to saving time and showing its utmost sincerity, the Government expresses its maximum concessions in regard to the solution of the present problem." The issue as raised by General Chou apparently boils down to the expression "to carry out"—those three words—in the two proposals of the Generalissimo in his communication to me of October 2nd. I might have said there, "consideration" of the two proposals of the Generalissimo in his communication to me of October 2nd. I repeat, I might have just as well said "to consider" the two proposals of the Generalissimo in his communication to me of October 2nd.

The point I wish to make now is that the Generalissimo has never seen this memorandum. It is from me to Doctor Stuart. Doctor Stuart heard the conversation, having translated the major part of it. He and I went to see the Generalissimo. So the use of the two different expression[s], it seems to me, need not concern General Chou except to the extent that the one to which he takes the least objection is the one that was used in the public statement. Neither are direct quotations from the Generalissimo. I do not think, therefore, that they should be a matter of such apparent moment. Also, my conception of the matter was that these meetings were to have been initiated in the effort to make a beginning toward an understanding.



The Generalissimo says these are the maximum concessions and General Chou has told me in the past of his maximum concessions. Then we have debated those issues long after. I consider that the same state of affairs holds here.

The previous disagreement and misunderstanding (and one referred to by Mr. Tung Pi Wu) revolved about your desire as relayed to me through Dr. Stuart, to reach an informal understanding as to representation on the State Council in advance of a formal meeting of Doctor Stuart's Five Man Group. The Generalissimo's decision was that his delegates could only negotiate in a formal meeting. That apparently led you to believe, and I think you so stated to me, that the Government members were not in power to negotiate the question of delegates or the veto question nor were they authorized to discuss the military aspects, particularly the question of cessation of hostilities. Your understanding was correct regarding the military aspect. It was so understood by me from the start of our efforts to convene the Five Man Group. Your statement relating to the lack of authority to negotiation as to the representation in the State Council on the veto question was taken up and its incorrectness confirmed by the Generalissimo. He agreed with me that those were the only two questions the Five Man Group would consider and naturally the delegates had the power to negotiate within the group.

That situation, in a sense, parallels the one we are discussing today. I told Tung Pi Wu yesterday that I could not understand the dragging out of the negotiations while the military operations went on. I had felt that my great problem was to so arrange matters that the active operations in the region of Kalgan could be quickly terminated. That would not only require a prompt issuance of orders, but would equally require a very rapid deployment of teams from Executive Headquarters, to see that there was no abuse of the truce. I sent confidential instructions to Mister Robertson and General Timberman<sup>18</sup> stating that, without discussing it with either the representatives of the Kuomintang Party or the Communist Party, they should work out the details of a complete plan to make rapid deployment of teams; then I had to consider how I would get the authority of the Committee of Three without any delay to confirm those tentative plans. So, it is hard for me to understand why matters are permitted to drag on while the campaign proceeds and the situation becomes more and more difficult to handle.

One more factor. Your most serious concern appears to relate to the restrictions placed on the matters to be discussed by the two committees. In other words, the Generalissimo stipulated that only

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<sup>18</sup> Brig. Gen. Thomas S. Timberman, Director of Operations, Executive Headquarters, Peiping.

certain matters would be discussed. I think it is probably a complete misunderstanding there. I had consistently tried to have as few arguments as possible as conditions precedent to the cessation of hostilities. What I had tried to do throughout was to secure an agreement to the cessation of hostilities with negotiations to follow. I have continued to try to make that arrangement, but I had tried to limit as far as possible the number of matters to be adjusted prior to the issuance of an order for the complete cessation of hostilities. Now, as I understand it, you are concerned that other matters are not to be discussed. My assumption would be that there would be a general discussion the moment we got this fighting stopped. Also, there is the reconvening of the Constitutional Draft Committee. There is the strong desire of the Government to have delegates of the Communist Party nominated for the National Assembly and there are the difficulties of misunderstandings regarding the number of the seats, of delegates. Dr. Stuart and I have been struggling to try to get a common ground and that is what we tried to do back in early August.

What I came down today for was to ask you whether we are to have such a meeting, or do we continue with the various complications involved before such a meeting can be held.

Before you answer that, General Gillem has invited us to lunch and if it is agreeable to you we will have a recess for lunch.

(Recessed for lunch).

GENERAL CHOU: Regarding the wording "carrying out", the reason why I attach such importance to it is that this is the only letter which relates to the 10 day truce for the operations against Kalgan, which I have for consideration. Last night, when I read Doctor Stuart's and your statement in which it is said that the two proposals of the Generalissimo need to be *considered* instead of *carried out*, then of course the wording has become less important than it was before. The wording is not so strong as it was before, but still the question presents itself that, while as you said, the Generalissimo considers those two proposals as the maximum concessions he can make, from the Communist Party point of view it is not a concession, but rather conditions which are unacceptable. The first point which stipulates that certain seats of the State Council are to be apportioned to the Communists and Democratic League is not compatible without a little more than  $\frac{1}{3}$  vote in the State Council. At the same time to count one of the non-partisan members into those certain seats is not in accordance with the PCC resolutions. Furthermore, the first point demanded that the Communists should produce the list of delegates to the National Assembly prior to the working out of the draft constitution also is not in accordance with the PCC.

Regarding the second point, it is a unilateral demand to designate

the garrison places for the 18 Communist divisions and that it should be carried out before a certain time. This demand also goes beyond the truce of June. It is tantamount to say that whereas the location of the Communist troops will all be fixed for a time when the Army reorganization is being carried out, the Government 90 divisions still have the freedom to move around or will be able to occupy the Communist areas without any withdrawal. That is also in violation to the cease fire agreement and army reorganization plan.

The reason that I did not immediately send a written reply to the Generalissimo, but merely asked Messrs. Tung Pi Wu and Wang Ping Nan to give a verbal transmittance to Doctor Stuart requesting it be further transmitted to you, is that the two points are not acceptable. I felt that perhaps you and Doctor Stuart may still find some way to stop the attack on Kalgan and to avert a total split.

The result has been that the drive against Kalgan will only be held for 10 days while at the same time during those 10 days the Communists have to accept the two proposals of the Generalissimo to carry them out or to consider them as conditions precedent. This, of course, leads one to presume that the Government is forcing the Communists to surrender under those terms and that if they are not accepted the Government would continue to drive against Kalgan. This situation differs from that in June in that respect. In June the questions were brought up for discussion and this time, the scope of the discussion is limited, but also the solutions are worked out before hand which is tantamount to an ultimatum.

GENERAL MARSHALL: Let me interrupt for a minute. The limitation on matters to be discussed results from my effort to put as few difficulties as possible ahead of the termination of hostilities. That the Communists cannot agree because the Generalissimo has decided the terms, is, I think, a definite misunderstanding. The Generalissimo stated his terms and you have frequently stated yours. If in discussions over the table no agreement is reached, then the proposals are a failure. There is in no way a commitment to the specific terms as outlined by the Generalissimo, such as the number of delegates and the location of the Government troops can be made without sitting down at the table to discuss the terms. I apologize for interrupting.

GENERAL CHOU: Regarding my request for a reconvening of the Committee of Three your reply to me that it cannot be called at this time because you could not reach a basis for preliminary discussion with both sides as to how the hostilities can be terminated, can be also applied, I feel, to the Informal Five Man Group. No informal preliminary discussion has been held regarding the arrangement for the organization of the State Council and therefore it would be equally difficult to convene the meeting.



Apart from that, there is still the question that no guarantee was given to issue the cease fire order. Before I left Nanking I tried to communicate to Dr. Stuart every conceivable way as to Communist proposals in connection with the organization of the State Council.

The Government stand has been that it would refuse flatly to discuss the matters informally. The Generalissimo made his proposal for the certain seats of the State Council which appears to be very ridiculous and could not meet with the approval of the Democratic League. Later on, you and Dr. Stuart tried to call the Committee of Three and the Five Man Group at the same time. The Generalissimo did not reply to that proposal instantly and thereupon the negotiations were interrupted for about five days.

Meanwhile, the Government is launching a large scale attack against Kalgan which was formally opened at 2 o'clock on September 29th. This was admitted both by the press as well as by the Government military leaders in Peiping. Thereupon the Communists came to the conclusion that the situation has come too far to be saved. Do you agree to the point that the attack against Kalgan should be stopped, but you do not consider this move is tantamount to a country-wide split. The Communists still hold that the Government attack on one of the few cities which are political and military centers of the Communist Party such as Yen-an, Kalgan and Harbin does constitute such a national split. By now there are only a few cities left and Chengteh has already been occupied by the Government troops.

I hope that you will understand that ever since the Communists withdrew from Changchun, they have always been on the defensive, while the Kuomintang troops are taking the initiative to attack any the Communist weak points are. Now they have occupied over 60 Communist cities; if we take into consideration those occupied prior to June 7th, 107 cities. Communists are offering little or no resistance. Communist cities; if we take into consideration those occupied prior to June 7th, 107 cities. Communists are offering little or no resistance. In other words, in areas such as Yen-an border region, we also refrain from attacking the Nationalists. The same applies to Manchuria. However, if the Communists resorted to an all-out counter-attack on the Kuomintang areas, we are perfectly aware that the Nationalists have very little force in their own areas such as in the area to the south of the Yangtze River. The Government is still continuing their attack against the Communists. That is why we feel that the continuation of the drive against Kalgan is a declaration of the Generalissimo's determination to abandon the last prospect of negotiation and that he is driving headlong into a nation-wide split. On this question there is only the issue of the terminating of the fighting, or not to terminate it. It is not a question of a temporary armistice.

The Generalissimo on October 2nd made a reply to my memorandum of September 30th. Prior to making that reply the Standing Committee of the Kuomintang called a meeting of that day in which they established a policy of war. General Pai,<sup>19</sup> General Chen Cheng<sup>20</sup> as well as Mr. Chen Li Fu<sup>21</sup> all voiced their opinion that only by force would there be a settlement. So, the Standing Committee decided that the war was the only way out. In the same afternoon, Mr. Peng made his statement and the Generalissimo immediately sent a memorandum to General Marshall in which he avoided reply to the question of the attack against Kalgan. He made his two demands and as I mentioned above, they are unacceptable to the Communist Party. When raising these demands, the Generalissimo is perfectly aware that they will not be acceptable to the Communists. Thereby, it would be all the better for the Government to use them as a cover to prosecute the war.

On October 6th, Dr. Stuart and you went to talk to the Generalissimo and the Generalissimo agreed to your proposal of holding up the drive for 10 days against Kalgan. The Generalissimo still insisted that the two demands of his proposal should be brought under discussion. This testifies that, although he knows perfectly well they will not be accepted by the Communists, he still wanted to discuss the 10 day truce in order that he may regroup his army for further attack. He did this in view of the fact that at the present time the Government does not have sufficient troops at disposal for the drive in Chahar. If there is a breathing spell of 10 days the Generalissimo can exploit that to move troops by sea and air to the Peiping-Tientsin areas, at least he can send up a large amount of arms and ammunition.

Therefore, our reply to this question is quite a different one. That is, we have learned a lesson from the two armistices in June, that despite the fact we made tremendous concessions there will be no settlement. Therefore, we cannot agree to a 10 day truce for the operation against Kalgan. As a matter of fact, we cannot even agree to a limited armistice for the entire country, and it is our view that only a lasting truce would demonstrate that the Government does not want to see a total split.

Our stand on questions regarding the military matters is as follows :

1. The troops on both sides should resume their positions as of January 13 in China Proper and their positions of January [June] 7th in Manchuria.
2. The location of the troops of both parties until the time of army reorganization should be fixed.

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<sup>19</sup> Pai Chung-hsi, Chinese Minister of National Defense.

<sup>20</sup> Chief of the Chinese General Staff.

<sup>21</sup> Chinese Minister of the Kuomintang Organization Board.

3. Those Government troops which have been moved since January 13th should be sent back to the original locations in order to facilitate the demobilization.

Only these conditions will insure the truce.

As to the political matters, it is our view that no matter whether they will be discussed by the Five Man Group or by the Steering Committee of the PCC they should cover the following points:

1. The Communist Party and the Democratic League must hold 14 seats in the State Council, in order to insure that a joint platform will not be violated. The distribution of these seats between the Communist Party and the Democratic League will be settled by a separate discussion.

2. The organization of the State Council should be in conjunction with the reorganization of the Executive Yuan.

3. The Draft Constitution Review Committee should be immediately reconvened in order to put into final form the Draft Constitution so as to insure that this draft will be presented to the National Assembly and that all parties will pledge to stand by this draft.

4. As to the date of the National Assembly and the final distribution of National Assembly delegates among the various parties, that should be settled by the Steering Committee of the PCC by consultation.

5. After the reorganization of the Central Government the various parties will hand in the list of their National Assembly delegates in accordance with the number agreed upon by this reorganized Government.

6. The question of local administration will be settled in accordance with the joint platform of the PCC. That is, a *status quo* will be maintained pending the initiation of the local self-government after the reorganization of the Central Government.

7. In order to insure that the four promises made by the Generalissimo at the opening session of the PCC will be carried out, the political prisoners should be released and the newspapers, magazines and civic bodies abandoned since January should be restored. Further, the secret service should be abolished.

8. In accordance with the military resolutions of the PCC, the division of military and civil affairs should be strictly carried out and the demobilization should be started afresh.

The above eight points are all within the scope of the stipulations of the PCC and they should all be carried out.

Speaking briefly, I (Chou) could put it this way—that the Informal Five Man Committee and the Steering Committee of the PCC would merely discuss as to how to implement the PCC. They could determine whether certain points are in contravention to the PCC resolutions.

These are the circumstances that I was going to put into my reply to the Generalissimo's memorandum of October 2nd.



To put it still more briefly, it can be said that the attack against Kalgan should be stopped indefinitely in order to avoid a nation-wide split so that the Committee of Three and the Informal Five Man Group and the Steering Committee of the PCC will be convened to discuss the truce and the implementation of the PCC resolutions. This will be my specific reply to the Generalissimo.

There are two other points that I would like to make :

1. The Communist Party does not agree to the assistance given by the American Government to the Kuomintang Government while the civil war is still going on. It further cannot agree to the fact that the U. S. troops in China have not yet been withdrawn as it was promised before.

2. I took notice of the fact that the statements you and Dr. Stuart have issued, always come in such a way as to follow a rejection by the Communists of the Government's demands and not when the Government is rejecting the Communist demands. For example, you did not issue a statement after the June armistice when the Communists had practically abandoned all their claims and still the Government refused to sign the agreement causing the negotiations thereupon to break down. Later on, when Dr. Stuart came into the negotiations and the Government issued the five-point demand to us which was tantamount to blocking the mediation by Dr. Stuart, you did not at that juncture issue a statement. When those five points were refused by the Communists a statement was issued. Later on in connection with the informal Five Man Committee, when the Government refused to give a guarantee and further brought unreasonable demands, you also issued no statement. When the Government refused the Communist proposal of halting the advance against Kalgan you also did not issue a statement, but when we refused their proposal you issued your last statement.

Though in those statements you did not make any accusation, the timing of that statement leads the public to some misunderstanding and they could not have a true picture of what was going on.

**GENERAL MARSHALL:** I will give the Government this list of 8 points, but I would suggest that you make a formal reply to the Government yourself.

I came here, as I told you, in order to see you directly for discussion to determine whether or not the situation was as serious as appeared to me following the discussion yesterday afternoon with Mr. Tung Pi Wu and Mr. Wang Ping Nan. I appreciate your frankness and I am not going into any detailed response. I have covered most of the points before and I cannot help but deplore your continued insistence that the Generalissimo planned this truce for an evil purpose after I spent four or five days trying to persuade him to stop the fighting. The truce was not possibly conceived as an effort of the Government to find time for moving troops and munitions.

All I can say is that, having heard your statement, it would seem

that my efforts of mediation appear futile and I see no practical basis for any other action on my part. I will deliver the 8 points to the Government. I hope that you will make your own written reply and I can but express my regret at this ending of our discussions.

I told you some time ago that if the Communist Party felt that they could not trust to my impartiality, they merely had to say so and I would withdraw. You have now said so. I am leaving immediately for Nanking. I want to thank you for coming over here to General Gillem's today and giving me this opportunity for a direct conversation with you.

GENERAL CHOU: I would like to make two points: One, those eight points refer merely to the political aspects. I also mentioned three points on the military aspects. Further, I would like to point out that the halting of the advance against Kalgan should be a permanent one. I will furnish a written reply to the Generalissimo for transmittal through you; Two, though I had some complaint with regard to the last statement you have issued, I do not refer to your over-all efforts throughout the whole mediation. I want to make that clear.

Meeting adjourned.

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893.00/10-946: Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 9, 1946—5 p. m.

[Received October 11—3:10 a. m.]

1623. First question asked in Department's telegram 803, September 27, 8 p. m.<sup>22</sup> and answer thereto form subject of Embassy's telegram 1601, October 5, 1 p. m.

Herewith second question and answer:

Question: Whether Kuomintang actually ratified PCC decisions without reservation as announced by Central News. We realize that the PCC decisions met with strong opposition in the CEC<sup>23</sup> but we would like to know the basis for the CCP charge that Kuomintang ratification was qualified. Please also endeavor to find out character of reservations, whether open or covert.

Answer: Although Kuomintang Central Executive Committee manifesto issued March 16 following adjournment Second Plenary Session<sup>24</sup> pledges Koumintang "to implement fully" PCC agreements, there has developed general feeling in non-Kuomintang quarters that the Kuomintang although formally having accepted the PCC agree-

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<sup>22</sup> *Ante*, p. 237.

<sup>23</sup> Central Executive Committee.

<sup>24</sup> See *United States Relations With China*, p. 635.

ments has had no real intention of implementing them as written. In purely legalistic sense PCC agreements were ratified by CEC, but the impression became wide-spread that the CEC in effect rejected a number of major points decided by the PCC by clouding over all ratification in contradictory and equivocal language. In fact, it is generally accepted that such nominal ratification as was achieved was forced by the Generalissimo in personal appeals before closing meetings CEC plenary session. Since that time the Generalissimo in public utterances and private conversation has consistently asserted that he is in favor of PCC program.

It will be recalled that the PCC had its origin in the Chiang Kai-shek-Mao Tse-tung<sup>25</sup> conversations of October 1945<sup>26</sup> and that once convened the work of the PCC was molded by presence of General Marshall on basis of President Truman's statement of policy toward China. It will be recalled further that the PCC had no legal power to implement agreements reached on January 31<sup>27</sup> (Embassy's telegram 201, February 1<sup>28</sup>) and inasmuch as Central Executive Committee of Kuomintang remained the highest policy making body in China, ratification by the CEC in plenary session was essential in order to give authority to the agreements.

It became apparent immediately following adjournment of the PCC that there was ground for apprehension that Kuomintang right-wingers would attempt to block implementation. Shortly after PCC agreements were published a riot, allegedly inspired by the "C-C clique",<sup>29</sup> occurred in Chungking during a rally supporting the PCC agreements (Embassy's despatch 1164 of February 28<sup>28</sup> and Embassy's telegram 304 of February 15<sup>30</sup>). On February 22 the Communist newspaper office at Chungking was wrecked (Embassy's telegram 357, February 23<sup>31</sup>) by hoodlums and a number of similar incidents occurred at Sian and Chengtu where Leftist publications were temporarily stopped because of attacks on their sales offices.

CEC plenary session opened March 1 and at meetings March 7 and 8 PCC resolutions were formally reported to CEC. These sessions were marked by heated criticisms of PCC agreements as well as personal attacks on Kuomintang delegates to PCC, particularly Sun Fo,<sup>32</sup> who presented the report, Wang Shih-chieh, Shao Li-tze, Wu Teh-

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<sup>25</sup> Chairman of the Central Committee of the Chinese Communist Party.

<sup>26</sup> For summary of conversations, see *United States Relations With China*, p. 577.

<sup>27</sup> For text of resolutions adopted by the Political Consultative Council, see *ibid.*, pp. 610-619.

<sup>28</sup> Not printed.

<sup>29</sup> The Chen brothers, Li-fu and Kuo-fu, prominent Kuomintang members.

<sup>30</sup> Vol. IX, p. 154.

<sup>31</sup> *Ibid.*, p. 439.

<sup>32</sup> Son of Sun Yat-sen and President of the Chinese Legislative Yuan.



chen and Chang Chun. Although criticism implied dissatisfaction with PCC agreements as a whole, representing unwarranted concessions to Communists, attention was focused on Part V of agreements having to do with the principles to be followed in revising May (1936) draft constitution.

As a result of foregoing criticism, on March 8 informal inter-party discussions to attempt resolution of differences commenced and centered around three constitutional questions: first, Kuomintang desired revision of the PCC decision that National Assembly would not be an existing body but rather a name applied to entire electorate; second, Kuomintang desired revision of PCC decision establishing definitive executive responsibility to elected legislative body; third, Kuomintang desired revision PCC decision granting the right of provinces to enact separate constitutions.

After considerable deliberation and discussion, a joint session of the PCC Steering Committee and the PCC Constitutional Sub-Committee reached conditional agreement on foregoing three points on March 15. Non-Kuomintang parties and groups agreed to revision of PCC agreements so as to make National Assembly an existent body, but the question of powers entrusted to it were to be subject of further discussion. It was also agreed to delete from PCC agreements the clause pertaining to responsibility of Executive Yuan to Legislative Yuan, but the revised relationship and phraseology to be substituted for that deleted was to be subject of further discussion. Finally it was agreed to alter the PCC decision on provincial constitutions by substituting the term "self-government" for the term "constitution". These conditional agreements were made with the understanding that, first, the Kuomintang would guarantee that no further revision of the PCC agreements would be demanded, and second, that the Kuomintang would publish the conditional agreements and publicly commit its members to implement the PCC agreements as revised.

On March 16 the Central News Agency published a version of the agreements which the Communists and Democratic League have since maintained was false. According to Central News Agency version, it was agreed that the National Assembly would be vested with the powers of election, recall, initiative and referendum; that the Legislative Yuan would exercise no check on the Executive Yuan and vice versa; and that there would be no separate provincial constitutions. There was no mention in the Central News Agency version of the understanding regarding publication and non-revision which had made agreement the previous night possible.

On the morning of March 16 the Communists and Democratic League delegates to the PCC met and forwarded a protest to Sun Fo with regard to the erroneous version published by Central News

Agency. The Assistant Secretary General of the PCC (known to be associated with the C-C clique) explained that the version published by Central News Agency was one he had drawn up before the discussions on the night of March 15 and was based on the views of the Kuomintang Central Executive Committee and that this version had been turned over to Central News Agency in error. After this explanation, the Kuomintang delegates to the PCC apologized for the error, but there was no statement published by Central News Agency explaining that the version previously published was incorrect. Since that time the Communists have consistently and violently attacked the good-faith of the Kuomintang with regard to whole PCC program. In this general connection, reference is made to Embassy's telegrams 541, March 21 and 600, March 31.<sup>34</sup>

A series of PCC Steering Committee meetings in late March and early April made some progress toward settlement of outstanding constitutional issues (Embassy's telegram 642, April 9<sup>35</sup>). It was impossible, however, to arrive at any firm decision with regard to question of executive responsibility to legislature. A fundamental obstacle was Kuomintang desire to achieve revision of PCC agreement which would change a "Cabinet system" government (wherein there would be clear executive responsibility to a popularly elected legislative body) and substitute a "presidential system" (wherein supreme authority would be vested in a President without provisions for checks and balances on his authority comparable to the American system). Likewise, the PCC concept of separate provincial constitutions could not be reconciled with Kuomintang desires for highly centralized national control. On this latter question PCC Steering Committee meetings eventually ended in stalemate on April 9.

Aside from purely political questions involved, it must be borne in mind that the overall scene during the period of PCC Steering Committee meetings was dominated by situation in Manchuria. It will be recalled that the original truce agreement of January 10 provided that the right of the Central Government "to move troops to and within Manchuria" for purpose of reestablishing Chinese sovereignty would not be affected by the terms of the truce. However, the Communists were reported to be carrying out continued movements of forces into Manchuria, over land through Chahar and Jehol and to a lesser extent by sea from the Shantung peninsula to the Liaotung peninsula. At the same time the Russians in Manchuria appeared to adopt an attitude of obstruction toward reoccupation by Central Government although Chinese Communists enjoyed at least Russian

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<sup>34</sup> Vol. IX, pp. 158 and 159.

<sup>35</sup> *Ibid.*, p. 163.

tolerance which had effect of tacit Russian support. (Embassy's telegrams 464, March 11 and 655, April 10 <sup>36</sup>). During same period the Communist press and radio showed a more marked tendency toward closer adherence to Soviet party line concerning Asiatic-Pacific questions than had been evidenced previously, and there was ample reason for Central Government heartily to distrust ultimate Chinese Communist intentions.

Since April 9 there have been no further meetings of PCC Steering Committee and there has been no definitive progress toward settlement of any political questions involved in implementation of PCC agreements.

The first section of General Marshall's detailed top secret report <sup>37</sup> on his mission to China was forwarded by courier October 1. Subsequent sections of this report, to be sent as completed, will cover the same matter as the above but in greater detail.

STUART

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Marshall Mission Files, Lot 54-D270

*Memorandum by General Chou En-lai to General Marshall*

SHANGHAI, 9 October 1946.

DEAR GENERAL MARSHALL: Your memo OSE 479 dated October 2, 1946,<sup>37</sup> which you directed Colonel Caughey to send to me and which was attached with a memo from President Chiang under even date, has been duly received.

President Chiang's memo not only refused to reply to my demand expressed in my memo dated 30 September calling for an immediate termination of the military operations against Kalgan, but instead went so far as to raise two claims which directly run counter to the PCC resolutions and the Army Reorganization Plan. For this reason I refrained myself from making an immediate reply, but merely instructing Mr. Wang Ping-nan to deliver verbally my comment to Dr. Stuart, with a view to looking forward that you and Dr. Stuart would further exert fair and impartial efforts for the peace in China.

As was transmitted by Mr. Wang to Dr. Stuart, we could not accept President Chiang's terms for the following reasons:

1) According to the principles of the previous agreements, the Chinese Communist Party and the Democratic League must hold fourteen out of the forty seats in the state council, that is a little over one-third of the total vote, in order to ensure that the Peaceful Recon-

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<sup>36</sup> Vol. IX, pp. 538 and 167.

<sup>37</sup> Not printed.



struction Program would not be revised unilaterally. However, the Government proposal of thirteen seats could not provide such a safeguard. To regard one of the non-partisan members as belonging to the Chinese Communist Party or the Democratic League is also not in accord with the PCC resolution.

2) The list of National Assembly delegates can be produced only to the reorganized Government, and even so not until the draft constitution has been revised by the PCC, acknowledged as the only draft to be presented to the National Assembly, and the distribution of the membership of the National Assembly has been finally agreed upon. Whereas such is the procedure stipulated by the PCC resolutions, President Chiang demanded that the list of National Assembly delegates be produced to the one-party government, obviously in violation to these resolutions.

3) For an effective implementation of the Army Reorganization Plan, it is essential to determine as to where the troops of both parties will be located during the process of reorganization, and not to determine merely the location of the Communist army, while Government troops are being granted the freedom to move around, to menace at any time and to attack at will the Communist troops and the populace in the Liberated Areas.

It was certainly not our expectation that that hope of ours was being misplanted. On 7 October, I received your memorandum to Dr. Stuart under date of 6 October, thereby learning that President Chiang agreed merely under the condition that his two aforementioned demands would be carried out to postpone his military drive against Kalgan for ten days. This is obviously an ultimatum to force us to surrender. We feel therefore compelled to reject firmly that proposal.

Now, apart from instructing Messrs. Tung Pi-wu and Wang Ping-nan to transmit my views regarding this matter to you, I wish further state the following, which I also request to be transmitted to President Chiang Kai-shek:

1. In my memo under date of 30 September, I have already made it clear that the military operations by the Government troops against Kalgan is a demonstration of the Government determination not even to abstain from forcing a national split. At this hour, only an immediate calling-off once for all the drive against Kalgan coupled with a withdrawal of the attacking troops back to their original positions would bear ample evidence to the effect that the Government is willing to break the way for fresh negotiation and to avert a split. Failing which the responsibility for all serious consequences will automatically rest squarely with the Government.

2. With a view to showing its utmost sincerity and concessions, the Communist Party is willing, on Government[']s immediate calling-off once for all its drive against Kalgan, to attend the Committee of Three and the informal five-man committee or the PCC steering committee, to join the simultaneous discussion on the two subjects: cessation of hostilities and implementation of the PCC resolutions. Re-

garding these the Chinese Communist Party has the following proposals to make:

A. Cessation of Hostilities (to be discussed by the Committee of Three) :

*a.* Both armies shall restore their positions as of January 13 in China proper, and as of June 7 in Manchuria.

*b.* The location of both armies, instead of that of the Communist army alone, during the reorganization shall be determined.

*c.* The Government troops having been moved against previous agreements should be ordered to return to their original positions, so as to facilitate reorganization.

B. Implementation of PCC resolutions (to be discussed by the PCC Steering Committee or informal five-man committee) :

*a.* The Chinese Communist Party and the Democratic League shall occupy fourteen seats in the state council, in order to ensure that the Peaceful Reconstruction Program would not be revised unilaterally. The distribution of these fourteen seats will be decided jointly by the Chinese Communist Party and the Democratic League.

*b.* The reorganization of the Executive Yuan will be taken up along with the reorganization of the state council.

*c.* The draft constitution, which is being revised by the PCC draft constitution reviewing committee in accordance with the principles and the stipulated procedure of the PCC resolutions, will be presented to the National Assembly as the only basis for discussion. All parties and groups further pledge that they will ensure the adoption of that draft.

*d.* The final reconvening date of the National Assembly and the distribution of the additional National Assembly membership will be decided by the PCC steering committee.

*e.* After the government has been reorganized in accordance with paragraph B, items *a.* and *b.*, the various parties will produce to that government lists of their National Assembly membership following the arrangement of paragraph B, item *d.*

*f.* The local administrations will in accordance with the provisions of the Peaceful Reconstruction Program maintain a *status quo*, pending the introduction of local self-government after the reorganization of the Central government.

*g.* In order to ensure that the four promises regarding people's freedom and rights made by President Chiang at the PCC session on January 10 will be carried out first of all and without delay political prisoners should be released, the outrageous incidents occurred since last January should be thoroughly investigated, the culprits punished, the special service organizations should be abolished, and the newspapers, magazines, news agencies, book-stores and people's organizations banned since last January should be restored.

*h.* The PCC military resolution governing the divorce of military affairs from civil administrative affairs should be carried out, in order to effect demobilization.

All the afore-mentioned proposals in connection with the two big subjects, which originate from the Cease Fire Agreement, Army Reorganization Plan and the five resolutions of the PCC, are indeed the most infallible measures for solving the prevalent crisis. If the Government authorities still has sincerity in implementing those agreements, there should be no reason why they do not accept them. If instead, they are but making idle talk about political settlement and implementation of the PCC resolutions, while actually they gear everything to military settlement and overthrow of the PCC resolutions, without even hesitating to force a national split by resorting to civil war and dictatorship, the Chinese Communist Party would feel itself forced to put up stubborn opposition till the very end.

With best regards

Faithfully yours,

[Signature in Chinese]

CHOU EN-LAI

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893.00/10-1046 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 10, 1946.

[Received October 10—2:30 a. m.]

1628. Embassy spokesman made following announcement at 6:30 p. m., October 9:

“General Marshall flew to Shanghai this morning to see General Chou En Lai and conferred with him there. General Marshall returned to Nanking at 6 p.m.”

STUART

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Marshall Mission Files, Lot 54-D270

*Notes on Meeting Between General Marshall and General Yu Ta-wei at No. 5 Ning Hai Road, Nanking, October 10, 1946, 10:45 a. m.*

Also present: Colonel Caughey

General Yu Ta Wei mentioned that he had heard of General Marshall's trip to Shanghai to meet General Chou and that the results were not attractive. He then asked what was to be done next.

General Marshall said that he was not certain. He said that he had just read the full statement released by General Chou En-lai concerning the misunderstanding with reference to terminologies and setting forth the 3 military and 8 political points. General Marshall stated, however, that the tenor of the statement would indicate a more amen-



able attitude on the part of General Chou than General Chou had indicated yesterday.

General Marshall continued by outlining the salient points of the meeting which he had had with General Chou En-lai explaining in detail the difficulties with reference to terminologies. He then read to General Yu Ta Wei from the minutes of the Chou En-lai meeting the applicable parts pertaining to the three military and eight political points.

Again, General Yu Ta Wei asked what General Marshall was going to do. General Marshall indicated that there was nothing that he could do at the moment and that both he and the Government would have to wait until General Chou En-lai submitted a written statement—which he (General Chou) said he would submit—to the Government with reference to his new position. General Marshall stated that he would probably, for the time being, let Dr. Stuart handle negotiations.

General Marshall stated that members of the Young China Party and an erstwhile member of the Democratic League had met with Dr. Stuart this morning. They indicated an assurance that they would do everything possible within their power to assist, and that they would attempt to bring General Chou En-lai from Shanghai for the purpose of further negotiations.

General Marshall stated that his going to Shanghai to see General Chou probably placed him (General Chou) in a rather difficult position which might result in a change of position more hopeful for continued negotiations.

General Marshall concluded by asking General Yu Ta Wei what progress had been made in the campaign against Kalgan. General Yu Ta Wei replied that the Government forces had reached Chang Pei, 20 miles directly north of Kalgan, and that it was this advance that most likely would capture that town.

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to President Truman* <sup>39</sup>

[NANKING,] October 10, 1946.

1627. DEAR MR. PRESIDENT: As indicated in my 1605, the Communist representatives in Nanking were immediately advised of the proposal of the 10 day truce with meetings held by the Five Man Group and the Committee of Three to carry out, or to consider, the matters stated by the Generalissimo in his reply to Chou En Lai of October 2nd. As a safeguard against misunderstanding in handling this

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<sup>39</sup> Copy transmitted to the Acting Secretary of State by the War Department on October 11.

business orally, I immediately dictated a personal memorandum for Doctor Stuart stating the conditions of the truce, as I understood them. However the Communist representative Wang Ping Nan had called so quickly following Doctor Stuart's notice to him that my memorandum did not reach Doctor Stuart until a few moments after the departure of Mister Wang. I therefore sent a copy of the memorandum to Mister Wang and another copy by plane to General Chou in Shanghai. Doctor Stuart's oral statement incidentally had been in complete accord with my written summary. (The reason for this detailed information will be apparent later.)

Two days later, on October 8th, Mister Wang delivered verbally the reply from General Chou in Shanghai to the effect that the truce should be without a time limit and the Government troops should withdraw to their original positions. Also, that the discussions should not be limited, and further that no reply had yet been made to the Generalissimo's communication of October 2nd, because the Communist Party had been hoping that some word from General Marshall and Doctor Stuart would be forthcoming clarifying the situation, and finally stating that the latest proposal implied that the situation had not changed much.

Doctor Stuart and I decided that it was important, particularly in view of my previous strong stand to the Government, that the situation be made accurately and publicly known and therefore prepared within the hour a joint public statement <sup>40</sup> (copy is transmitted in the clear as 1628 <sup>41</sup>).

The same afternoon I had an unsatisfactory interview with the Communist representatives, Mister Wang Ping Nan and Tung Pi Wu, in which they alleged evil or subtle motives on the part of the Government in accepting the truce proposal and brought forward other contentions which I felt were not supported by the facts and so informed them. They finally made a statement criticizing the American policy in supporting the Kuomintang war effort and implying a partiality on my part. I informed them I would not accept the first statement and I did not like the implications of the second.

I then decided that in order to make every possible effort, I would go to Shanghai the following day, yesterday, and have an interview with General Chou En-Lai, which I did. He was unaware of my purpose or presence until he arrived at General Gillem's house. We had a three hour interview, the first portion of which was devoted to a lengthy discussion of the expression used in my personal memo to Doctor Stuart of October 6th: "The purpose of the truce is *to carry out* the two proposals of the Generalissimo in his communication to

<sup>40</sup> *Ante*, p. 312.

<sup>41</sup> Telegram not printed.

me of October 2nd." and the expression "to consider" the two proposals of the Generalissimo in his communication of October 2nd as used in our public release. It was difficult to understand what was in Chou's mind for his reactions were clouded with suspicions and seemingly the more innocent the procedure, the greater are the suspicions, as in this case. Actually the Communist Party felt that they were not being invited to sit down at a table to negotiate, but rather to sit down at a table and accept conditions virtually of surrender, which was not at all the case, and yet it was almost impossible to convince them to the contrary.

Doctor Stuart and I have been struggling to initiate actual negotiations between the two parties, but the suspicions are so overwhelming that thus far, as you are aware, we have been unsuccessful.

I found it impossible to convince General Chou that the truce was not a Government maneuver to permit them to regroup, reinforce and resupply. I could not tell him, of course, that I have literally forced this much of a concession out of the Government though I was struggling for far more. I think at the moment of this interview General Chou was taken back and rather put on the defensive by two things, one was our public statement of successive events from September 30th on and the other was my unexpected arrival in Shanghai in contrast to his rather indefensible position of remaining aloof from negotiations. He resented the public release and asserted that while we did not express an opinion, nevertheless the timing had been to the disadvantage of the Communist Party. He objected to the so-called limitation of the matters to be discussed, notwithstanding the fact that I had held these down to the very minimum in favor of the Communist desires, that is, to have as little as possible to clear up as conditions precedent to the cessation of hostilities. There was no thought of preventing unlimited discussions once hostilities had terminated. This Communist position presents a strange paradox because it would imply what is plainly contrary to the facts, that they were insisting on the continuance of hostilities until all matters had been resolved. The fact is the Government has been proceeding somewhat along this line and I have continually objected. As a matter of fact, the Communist reactions now are really somewhat psychoneurotic, induced by an overwhelming suspicion and the feeling that the life of their party is being threatened by military and secret police action of the Government.

Chou finally summed up his views and the Communist stand on the various questions as follows:

"Regarding military affairs:

"1. The troops on both sides should resume their positions as of January 13th in China proper and their positions of June 7th in Manchuria.



"2. The location of the troops of both parties until the time of Army reorganization should be fixed.

"3. These Government troops which have been moved since January 13th should be sent back to the original locations in order to facilitate the demobilization.

"Only these conditions will insure the truce.

"As to the political matters, it is our view that no matter whether they will be discussed by the Five Man Group or by the steering committee of the Political Consultative Council they should cover the following points:

"1. The Communist Party and the Democratic League must hold 14 seats in the State Council, in order to insure that a joint platform will not be violated. The distribution of these seats between the Communist Party and the Democratic League will be settled by a separate discussion.

"2. The reorganization of the State Council should be in conjunction with the reorganization of the Executive Yuan.

"3. The draft constitution review committee should be immediately reconvened in order to put into final form the draft constitution so as to insure that this draft will be presented to the National Assembly and that all parties will pledge to stand by this draft.

"4. As to the date of the National Assembly and the final distribution of National Assembly delegates among the various parties, that should be settled by the steering committee of the Political Consultative Council by consultation.

"5. After the reorganization of the Central Government the various parties will hand in the list of their National Assembly delegates in accordance with the number agreed upon by this reorganized government.

"6. The question of local administration will be settled in accordance with the joint platform of the Political Consultative Council. That is, a *status quo* will be maintained pending the initiation of the local self-government after the reorganization of the Central Government.

"7. In order to insure that the four promises made by the Generalissimo at the opening session of the Political Consultative Council will be carried out, the political prisoners should be released and the newspapers, magazines and civic bodies abandoned since January should be restored. Further, the secret service should be abolished.

"8. In accordance with the military resolutions of the Political Consultative Council, the division of military and civil affairs should be strictly carried out and the demobilization should be started afresh.

"The above eight points are all within the scope of the stipulations of the Political Consultative Council and they should all be carried out.

"Speaking briefly, I (Chou) could put it this way—that the informal Five Man Committee and the steering committee of the Political Consultative Council would merely discuss as to how to implement the

Political Consultative Council. They could determine whether certain points are in contravention to the Political Consultative Council resolutions.

"These were the circumstances that I was going to put into my reply to the Generalissimo's memorandum of October 2nd.

"To put it still more briefly, it can be said that the attack against Kalgan should be stopped indefinitely in order to avoid a nationwide split so that the Committee of Three and the informal Five Man Group and the steering committee of the Political Consultative Council will be convened to discuss the truce and the implementation of the Political Consultative Council resolutions. This will be my specific reply to the Generalissimo.

"There are two other points that I would like to make :

"1. The Communist Party does not agree to the assistance given by the American Government to the Kuomintang Government while the civil war is still going on. It further cannot agree to the fact that the United States troops in China have not yet been withdrawn as it was promised before.

"2. I took notice of the fact that the statements you and Doctor Stuart have issued, always come in such a way as to follow a rejection by the Communists of the Government's demands and not when the Government are rejecting the Communist demands.

"Though in these statements you did not make any accusations, the timing of that statement leads the public to some misunderstanding and they could not have a true picture of what was going on."

I then replied "All I can say is that having heard your statement it would seem that my efforts at mediation appear futile and I see no practical basis for any other action on my part. I will deliver the eight points to the Government. I hope that you will make your own written reply and I can but express my regret at this ending of our discussions.

"I told you some time ago that if the Communist Party felt that they could not trust to my impartiality, they had merely to say so and I would withdraw. You have now said so. I am leaving immediately for Nanking. I want to thank you for coming over here to General Gillem's today and giving me this opportunity for a direct conversation with you."

While the foregoing would appear to indicate the termination of my negotiations with the Communists I do not think that will probably be the case.

This morning, representatives of the Young China Party and the previous Secretary General of the Democratic League who had resigned because of his disapproval of their procedure, called on Doctor Stuart and proposed, for my agreement, that they interview the principal Government leaders and then proceed immediately to Shanghai and bring General Chou back to Nanking. Doctor Stuart is arranging to have the Government leaders give them a very considerate hearing, and they seem to feel they will have no trouble in bringing back General Chou in a manner that will be face saving.

I apologize for such lengthy statements regarding minor detail of these complications and vexing negotiations, but it is difficult to condense the happenings without probable distortion of significant phases.

POST SCRIPT. With reference to termination of my negotiations with Communists, while checking this message a request from Communist Wang Ping Nan to see me has just been received.

G. C. MARSHALL

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall, Dr. Stuart, and Mr. Wang Ping-nan at Nanking, October 10, 1946, 6 p. m.*

Also present: Colonel Caughey

MISTER WANG: I have received a memorandum from General Chou En Lai <sup>42</sup> with instructions to deliver it to you. I would like to have your comments on this memorandum.

GENERAL MARSHALL: Yesterday when I saw General Chou En-lai in Shanghai we spent almost a half or  $\frac{3}{4}$  hours over a most unexpected issue. The other day when Doctor Stuart and I succeeded in getting the Generalissimo to agree to this truce, Doctor Stuart returned immediately to the Embassy and sent for you. I was afraid that there might be some misunderstanding as the agreements and proposals were all verbal, so I immediately dictated a personal memorandum for Doctor Stuart dated 6 October. I took about five minutes to do it and it reached the Embassy about 10 minutes after you left. Doctor Stuart informed me over the telephone that what I had said in that memorandum was in effect what he had told you. But I did not learn then that you had not seen the memorandum. I had sent Doctor Stuart an extra copy for that purpose.

MISTER WANG: I saw it the next day.

GENERAL MARSHALL: I did not know until the following morning that you had not gotten the extra copy and that it had not been received by Dr. Stuart until after you left. I then sent you a copy and I also sent one by plane to General Chou. This was my personal memorandum to Doctor Stuart, which I dictated in about four or five minutes. Now, when your reply came on October 8 the question came up of whether a release to the press should be made, and that was hurriedly talked over by Doctor Stuart and myself. The release was dictated in about 10 minutes. I left without seeing it typed. Doctor Stuart waited to see it and to take it to the Embassy for preparation for release. I was then a half hour late for an appointment with the Generalissimo.

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<sup>42</sup> October 9, p. 345.



I have given you this detailed description merely to make plain to you the circumstances under which these two papers were prepared, which would indicate to you my surprise and Dr. Stuart's surprise when we found that a great issue was made by General Chou over an expression in my 6 October memorandum to Dr. Stuart, which says "The purpose (of the 5-man and 3-Man Committee meeting) is *to carry out* (the Generalissimo's 2 conditions)" and in the press release it says, "The purpose is to meet in order *to consider*." Neither of those expressions have ever been seen by the Government, and yet I found that was one of the important issues that was being made by General Chou.

Now what does that mean? I gave you the benefit of my confidential memorandum to Doctor Stuart and then an important issue is made over my English. We have so many things that are in dispute, are genuinely in dispute, that it seems too bad when differences between the Government and the Communist Party develop over my wording. I tried to say all this to General Chou but I did not appear to make him understand. I could only guess that his general suspicion was so overwhelming that he could not accept my explanation.

The next, and probably the most important, issue he raised was that to sit down and consider the two propositions put forward by the Generalissimo was equivalent to a surrender. And he confirmed that point of view largely by two things. One, an expression in the Generalissimo's memorandum of 2 October. The Generalissimo used the expression, "The maximum concession we will make", and the other was that in the meetings of the Committee of Three the Generalissimo confined the discussion to the location of the Communist troops.

That was not at all the reaction of Dr. Stuart and myself. It was not in our minds that the Communist Party was committed to anything except to sit down at the table. And then we would at last have a beginning of a renewed effort to negotiate the disagreements. Heretofore I had been struggling to secure very much what General Chou was so anxious to have; that was, first, a cessation of hostilities and then negotiations. Dr. Stuart and I were unable to secure such an agreement on the part of the Government. Then we took the issue General Chou had brought up concerning Kalgan and did succeed in getting at least a halt of military operations for a period of 10 days. I repeat again that it was not at all our conception that the Communist Party was bound to accept the 13 delegates proposition, for example. What the Communists were asked to agree to was to sit down at the table and discuss this issue.

The other point made by General Chou was that the things to be discussed were limited, and he refused such limitation. His attitude on that seemed to be a complete reversal of all of his previous conditions,

and he left me completely baffled. It was General Chou who has always wanted to limit the discussion to the Committee of Three and the question of the cessation of hostilities alone as the condition precedent to everything else. Dr. Stuart and I endeavored to limit the matters to be discussed just as much as we possibly could so as to have as little as possible intervening in negotiations in order to reach as quickly as possible the point where we could settle the question of hostilities. I do not think General Chou really meant the meaning he conveyed to me, but that is what he said, but it made it appear that we were working at complete cross purposes. All I am endeavoring to do now is to explain what happened, as I understood it, yesterday afternoon in my talk with General Chou.

Now I will turn to this communication (9 October) from General Chou, but I would first like Dr. Stuart to comment.

DOCTOR STUART: I would rather go over once more, as a matter of record, what I have said several times before, that it was by no means easy for us to persuade the Government to take the steps they have taken, and it seemed to us a very generous action on their part, a readiness to go as far as they could to initiate the negotiations. We thought of the truce as accomplishing two things: One, to do what the Communists have been urging and that was stop the attack on Kalgan. The plans made through the Executive Headquarters Field teams were to guarantee that the fears expressed by both parties would not materialize. We anticipated those fears by taking these measures, and we told these special teams to observe that there was no abuse of the truce on either side. Two, we expected in those 10 days that between the two committees, the Committee of Three and the Committee of Five, there would be a discussion begun which would reach sufficiently definite results to indicate the purpose of both sides to find the peaceful solution and that through that participation it would be possible not only to stop the fight against Kalgan but to effect a nationwide cease fire, and to carry out the political steps planned by the PCC. What we wanted and expected was a discussion by equals, we did not expect bickerings but a resumption of the previous directives in a determined effort on both parties to provide a solution.

We would not have proposed that unless we had been very confident and had good reason to be confident that the Government would support that policy. So it is a very keen disappointment to us that these efforts have been rejected. We think that if the Communists had been willing to meet with the Government in these committees there was every prospect to expect an early cessation of hostilities and to expect constructive plans that would bring peace and democratic government to this country.

A reply of this nature (Chou's 6 [9?] October memorandum), from its very character, seems to me to indicate an uncooperative attitude—to make these demands knowing as General Chou must know that the Government will not accept them in this form. These demands prevent any further negotiations, any further hopes. The only possible hope would have been to meet together and discuss in committees the issues he raised here, and together try to find a solution that would be acceptable to both sides. But to make a reply that lays down conditions that quite evidently will not be accepted, is really to close the way to any further possible negotiations.

GENERAL MARSHALL: I do not think I need to add to Doctor Stuart's statement.

MISTER WANG: After General Marshall's explanation of the misunderstandings on the use of words and also Dr. Stuart's comments after he has read General Chou's reply to the Generalissimo, I feel that there is nothing I can add. I will transmit the comments of this conversation to General Chou and to Yen-an.

DOCTOR STUART: I would like to add one more thought here. I talked as frankly as I did in the hope that our Communist friends would change their attitude and agree to coming to these meetings. We believe that the result they have been hoping for can be achieved. It is going to be increasingly difficult if our Communist friends lose their faith in our sincerity and in our intentions to mediate neutrally. I have not read it, but I have been told that today's *Ta Kung Pao* has an article stating that a Communist spokesman in Shanghai said that we two have gone into this mediation with the deliberate intention from the beginning to help the Government. If the Communists have really lost faith in us there is not the slightest use in our making further attempts to mediate. If it is propaganda, it is still worse.

GENERAL MARSHALL: With reference to Dr. Stuart's expression of a feeling of fair confidence that once we had these actual negotiations under way it would be possible to reach certain agreements for the cessation of hostilities; I want to add the following, in order to avoid any possibility of a misunderstanding.

I am aware of the Communist demand that the Government troops return to their positions of January 13th and I am entirely familiar with the proviso of that agreement. I repeat what I said the other day, that my impression is, though I have had no definite statement on the subject—that the Government will insist on the continuation of the military occupation of those places that have been taken over recently. It may be that they will compromise on this, but I have had no indication of that. I think that they will accept the position as of the June 7th date in Manchuria. I am sorry I can't give a definite statement



regarding either of these matters, but as they have a very important bearing on the negotiations of the military phases, I think it best now to make my impression clear.

I repeat again that I am not stating this as a determined fact, and also that these questions would certainly be open to debate, but I have been concerned over this particular aspect of the problem.

DOCTOR STUART: I said what I did about my hopes because I feel confident that, notwithstanding the very real difficulties that General Marshall mentioned, if both parties go into these discussions with sincere purpose to achieve democratization of the government and nationalization of the army, they can, through further discussion, realize the purposes each has held to, and for which we all are struggling and hoping.

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893.00/10-1146 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, OCTOBER 11, 1946.

[Received October 11—6:45 a. m.]

1631. Following is Minister of Information's statement made at press conference on October 9:

"The Government is at a loss to understand why the Chinese Communist Party objected to negotiations regarding Communist participation in the National Government and the settlement of military differences in order to achieve a permanent peace, and to ten day truce yesterday. All these measures were demanded by the Communists, yet they were rejected *by the Communists themselves* when the Government concedes them. The only inference we can draw is that they have adopted an obstructionist policy and refuse to consider any settlement of the present deplorable conditions. The Government's stand has been enunciated by Dr. T. V. Soong, President of the Executive Yuan, in his statement issued yesterday. We are still hoping that negotiations will be continued and that a peaceful solution will be found.

The Government has decided to convene the National Assembly on November 12, 1946. It has been postponed several times in the past because of circumstances beyond the Government's control. But it cannot be delayed further without undermining public confidence in the Government's determination to establish a constitutional regime. Reorganization of the Government is handicapped by the Communists' refusal to take part in it."

STUART

893.00/10-1246 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 12, 1946.

[Received October 12—2:25 a. m.]

1639. On occasion of 35th anniversary October 10 Hankow uprising Gmo<sup>43</sup> made radio address on current situation. He first outlined history of Kuomintang and progress of carrying out teachings of Dr. Sun Yat-sen, stating that though much progress had been made much yet remained to be done to complete this work and to fulfill ideals of national revolution. "That our National Government was able to lead the entire nation and people with concentrated will and solidified strength to negotiate difficulty after difficulty, obstacle after obstacle, and to overcome every crisis, internal and external, until the winning of the final victory, is precisely because our program for revolution and national reconstruction corresponds with the wish and desire of the entire nation and people."

Accomplishments of past should be stimulus for future work and it is regrettable that postwar period has not been more fruitful.

"Unfortunately, as the last 10 months have gone by not one of our programs was implemented as scheduled. Even new disturbances continue unabated. It is painful indeed to see our fellow countrymen suffer directly or indirectly from national disunity, social disorder, and precarious living. I wish to take this occasion to outline for the information of my fellow countrymen just how our national foundation can be stabilized and how the abnormal state of affairs can be set straight."

Basic conditions for "national reconstruction are national unification and social stability". Without national unification internal disturbances will multiply and democratic government will have no chance. This means that regional domination must stop. "Under no condition can the Government brook any attempt to prevent national unification or any rebellion aimed at national disintegration. Still less can the entire people and nation look on unconcernedly and allow the country and nation to be plunged headlong into an inextricable abyss."

Govt has never swerved from its policy of seeking solution of problems by political means. This requires nationalization of all troops and political democratization, convocation of National Assembly and broadening basis of Government.

"Today the Govt asks the Chinese Communist Party to abandon its plot to achieve regional domination and disintegration of the coun-

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<sup>43</sup> Generalissimo Chiang Kai-shek.

try by military force and to participate along with all other parties in the National Government and National Assembly. Realization of this step will correspond with the agreement reached jointly by the various political parties and groups and the unanimous desire of the entire masses of the people."

It is also hope of Government that various political parties and groups will bring forth their lists of candidates for State Council and delegates to National Assembly.

Consistent wish of Government is for cessation of hostilities but this has been blocked by Communist obstinacy. Convocation of Committee of Three however will not take place until Communists and Government agree on certain fundamental issues and Communists by participating in such discussions prove their sincerity. Communists however have recently refused Govt proposals on reorganization of National Government and implementation for basis of army reorganization.

Government will not despite this abandon its policy of peaceful settlement and will continue to hope and seek for it. Political and military conditions in country as they exist today must not be allowed to continue. Gmo again proposed simultaneous convening of Five and Three Man Committees and stated that after agreement had been reached in them Government would immediately issue cease fire order "provided that Chinese Communists call a halt to their military operations and cease their attacks on National troops".

"To pursue our heavy task of national reconstruction we must all follow with firm faith the prescribed course regardless of the difficulties. We must promote the enforcement of the quintuple power constitutional system and seek the full implementation of the three people's principles."

Full text <sup>44</sup> follows by airmail.<sup>45</sup>

STUART

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Marshall Mission Files, Lot 54-D270

*Notes of Meeting Between General Marshall and General C. P. Lee at No. 5 Ning Hai Road, Nanking, October 12, 1946, 9:40 a. m.*

Also present: Capt. Soong

General Li stated that the newspapers this morning reported the capture of Kalgan by the Government troops. General Marshall said that he has not yet received any official confirmation on it.

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<sup>44</sup> *United States Relations With China*, p. 669.

<sup>45</sup> Despatch No. 270, November 15, not printed.



Then, General Li said that he found Mister Mo Te-hui to be highly rated by both Communist and Kuomintang Parties and that he is still in Nanking. General Marshall stated that he had spoken to Doctor Stuart about the group prepared by General Li and it seemed to Doctor Stuart that Madame Wu I-fang is more influential than Mister Mo. General Marshall then asked how such a group would be brought into existence. General Li replied that it should be through the United States invitation. He then suggested a few more persons who, he thought, could participate in such a group. The persons are: Mister Wu Ting Chang, Secretary General to the Generalissimo; Doctor Wang Shih Chieh, Minister of Foreign Affairs; and Mister Chu Chia Hua, Minister of Education. He also stated that Mister Wu Ting Chang is the leader of one faction in the Kuomintang which opposes the C. C. clique. General Marshall believed that Dr. Wang Shih Chieh would not be an appropriate choice for this group because he is too liberal to satisfy the other members in the Government.

General Marshall then asked General Li how he felt about such a group in view of the happenings of the last three days. To this, General Li replied that he felt it is still worth commencing because now that the Communist Party is suffering defeat, there would be a new chance for settlement. However, General Marshall wondered whether this is the right moment to initiate such a group, in view of the fact that Kalgan is now captured and the Communists have declared a National split. And yet, if we should wait for further development, it might be too late. General Marshall then said that he would like to speak to Doctor Stuart again who has doubts about such a group being initiated by Americans. General Li agreed that it probably would be the best to wait for a few days. He also asked General Marshall whether it would be wise for him to discuss this proposal with the Communists. General Marshall replied that it would be all right provided that he would not reveal to the Communists that he has already discussed the matter with General Marshall.

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893.00/10-1246 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 12, 1946—11 a. m.

[Received October 13—11:08 a. m.]

1642. Govt October 11 announced manifesto convening National Assembly November 12. This announcement indicates full intention of Govt to proceed with Assembly regardless of whether Communists participate.

The manifesto followed on action of Central Executive Committee of Kmt October 9 reelecting Chiang Kai-shek as President of China to serve until National Assembly has adopted new constitution and a new President has been elected and inaugurated under terms thereof. Previous term according to interim constitution expired October 9.

STUART

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#### XIV. THIRD PARTY EFFORTS TO EFFECT SETTLEMENT (OCTOBER 13-NOVEMBER 5, 1946)

Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Dr. Stuart*<sup>46</sup> at No. 5 Ning Hai Road, Nanking, October 13, 1946, 3 p.m.

Also present: Colonel Caughey<sup>47</sup>

Doctor Stuart began the meeting by informing General Marshall that he had just had a talk with Mister S. M. Liang, member of the Democratic League. Mister Liang stated that the culmination of recent events, particularly the capture of Kalgan, followed closely by the National Government's issuance of an order for convocation of the National Assembly has created a condition which makes the Communist Party and minor parties extremely apprehensive as to the possibility of continuing negotiations. Further, the Communist Party and minor parties feel that this, for China, is the initial step towards Fascism. Doctor Stuart reported that Mister Liang continued by stating that the only hope for continued negotiations is a joint resolution of the various outstanding political questions, after which, and again by joint action, a date for convocation of the National Assembly is selected.

Mister Liang further related to Doctor Stuart that he felt the only present opening for continued negotiations is for General Marshall and Dr. Stuart to approach the Generalissimo<sup>48</sup> in an effort to find out what political plans the Generalissimo now had and, based on that, develop a new means for bringing together the National and Communist representatives in the three man and five man committees.

Mr. Liang had also suggested the possibility of Dr. Stuart and General Marshall proceeding to Shanghai for the purpose of meeting the minor parties, who had sworn allegiance to act as a body in any attempt to resume negotiations. General Marshall stated that he did not believe a trip to Shanghai at this particular time would

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<sup>46</sup> J. Leighton Stuart, Ambassador in China.

<sup>47</sup> J. Hart Caughey, Executive Officer on General Marshall's staff.

<sup>48</sup> Chiang Kai-shek, President of the National Government of the Republic of China.

assist. He was agreeable, however, to approaching the Generalissimo in an effort to determine what the Generalissimo now had in mind and, from that, to determine what steps might now be taken to resolve the various issues. He was not certain that the Young China Party was formally committed to the extent indicated by Mr. Liang.

General Marshall informed Doctor Stuart that it probably would not be a propitious time for him (General Marshall) to give to the Generalissimo the previously prepared statement for the Generalissimo to issue.

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Marshall Mission Files, Lot 54-D270

*Notes of Meeting Between General Marshall and Generalissimo Chiang Kai-shek at Nanking, October 13, 1946, 5 p. m.*

Also present: General Pee <sup>49</sup>

Dr. Stuart

General Pee and Dr. Stuart interpreted.

The Generalissimo inquired if there had been any further proposals by the Communists.

Dr. Stuart replied in the negative and at General Marshall's suggestion related what he had learned from Mr. Liang that morning.

The Generalissimo discounted the statement that the minority parties had united in stand against a meeting of the National Assembly under present conditions. He thought a different reaction would be apparent in a day or two. He explained that the formal confirmation by the Government of the Assembly meeting was a routine procedure, completely justified, in *his* opinion. He wished Dr. Stuart and General Marshall to consider the possibility of his making a statement <sup>50</sup> as previously suggested by General Marshall on the Generalissimo's return to Nanking; modified in accordance with recent changes in the situation.

General Marshall said he understood the Generalissimo at their last meeting to suggest such a statement and specifically mentioned General Chou's <sup>51</sup> last memorandum, of October 8th [9th].<sup>52</sup> The Generalissimo said he did not want any reference to General Chou's memorandum. General Marshall replied that it was not a question of reference to the memo, but of a consideration of the statements in the memo. The Generalissimo stated that he was not considering that. General Marshall then asked what change in the situation was to be considered, other than the occupation of Kalgan.

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<sup>49</sup> Presumably General Peter Pee, personal aide to Generalissimo Chiang Kai-shek.

<sup>50</sup> See draft statement of September 27, p. 238.

<sup>51</sup> General Chou En-lai, head of the Chinese Communist delegation, negotiating with General Marshall.

<sup>52</sup> *Ante*, p. 345.



General Marshall continued by stating that the important factor was the immediate cessation of hostilities; that even if the Communists were forced to submit to various agreements by the pressure of armed action, there could be no healthy result in the political negotiations and reorganization of the Government. The bitterness engendered would be too deep and the spirit of revenge and distrust too great.

The Generalissimo said that he could not agree to an unconditional cessation of hostilities without some evidence for the people and the government leaders that there had been advantages gained for the reorganization of the Government. He mentioned the announcement of the Communist delegates to the National Assembly as an example.

General Marshall reminded the Generalissimo that in early July, he (the Generalissimo) had stated that it was necessary first to deal harshly with the Communists and later after 2 or 3 months to take a generous attitude. Certainly now, 3½ months later with the Government in possession of all the important strategical points, was the time for a generous attitude.

The Generalissimo agreed but repeated his previous statement.

General Marshall questioned the Generalissimo regarding the reorganization of the Executive Yuan. The Generalissimo replied that he would make no reference to that in his statement, it must come after the National Assembly.

General Marshall questioned the Generalissimo as to why the Constitutional Draft Committee was not reconvened. While the answer to this indicated willingness to have that Committee get back to work it was not clear as to "why, etc".

The Generalissimo closed the meeting by saying that he wished to wait a day or two, watch developments and then make his decision.

NOTE: On October 13 [14?] General Marshall at the Generalissimo's request (by telephone from General Pee) sent him a redraft of the proposed statement. He had questioned Dr. Stuart that afternoon as to whether such a draft was ready.

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Marshall Mission Files, Lot 54-D270

*Memorandum by Generalissimo Chiang Kai-shek*

NANKING, [October 13, 1946.]

In order to expedite the peace talks, the Government is prepared to initiate the following measures:

1. The Committee of Three should be convened as soon as possible to work out plans for avoiding military conflicts and reorganization of the army.

2. The unofficial Group of Five should meet as soon as possible to discuss reorganization of the National Government. Conclusions reached will be referred to the Steering Committee of the PCC<sup>53</sup> for discussion and agreement.

3. The Constitution-Drafting Committee should also meet as soon as possible to complete the work of the revision of the Draft Constitution at the earliest possible date.

4. As soon as solutions of any of the above-mentioned problems are found, the Steering Committee of the PCC will be convened immediately for deliberation and agreement.

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893.00/10-1446 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 14, 1946.

[Received October 14—5:48 a. m.]

1657. Following text of item in Yen-an English language broadcast October 13th.

"After statement by General Marshall and Ambassador Stuart on 8th, talks on Communists' demand that Chiang Kai Shek halt attack on Kalgan have broken up, a responsible member of Chinese Communist Central Committee told this news agency yesterday. He said that Chinese Communist Party felt obliged to publish four demands of Nanking talks since September 30th which were front-paged in *Yenan Emancipation Daily* yesterday so that everyone could see who was responsible for this final complete break.

He said that four documents showed attitude of 'mediator' Marshall. January 10th cease fire agreement no longer exists in Marshall's mind. He also wants Chinese Communist Party to ignore cease fire order which was proposed by him and signed by three parties including Marshall. Repeated protests by Chinese Communist Party against violation of cease fire order and political consultation conference decisions by Chiang Kai Shek had been ignored by Marshall. Marshall had even gone to extent of proposing that Chiang Kai Shek's unreasonable demands of 12th be accepted as basis for negotiations.

Responsible member of Communist Central Committee said that Communist Party had already more than enough experience of so-called 'truce'. January 10th cease fire order was torn up. March 27th Manchurian truce agreement led to large scale fighting in Manchuria in April and May launched by Chiang Kai Shek and supported by American Government. Seventh [*June 7th?*] truce agreement and nationwide civil war meticulously prepared by Chiang Kai Shek and America.

Since Marshall ignores January 10th cease fire agreement, his present proposal for '10-day truce' can have no other significance than that of again helping Chiang Kai Shek to force Chinese people step by step to submit to Chiang Kai Shek and help Chiang step by step to exterminate liberated area armies and people, commented members of Communist Central Committee.[""]

STUART

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<sup>53</sup> Political Consultative Conference.

893.00/10-1446 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 14, 1946.

[Received October 14—5:50 a. m.]

1659. Press reports published October 13, Nanking, report Liang Shu Ming, Secretary General of the Democratic League, who went to Shanghai October 12 in attempt to persuade General Chou En Lai to accept a compromise plan, as stating that "the possibility of the resumption of peace negotiations between the Government and the Communists is now a thing of the past". He further stated following his talks with Chou that "now everything is changed. There is no use talking of peace negotiations any longer." Kiang Yung, member of the presidium of the PCC who accompanied Liang, also declared that Liang's statement represented his opinion too since the Government had issued a mandate calling for National Assembly and Communists will not send their delegates.

Coincidentally Dr. Sun Fo, President of Legislative Yuan, in an interview with Central News urged that military operations be halted immediately, peace negotiations resumed and Government reorganized in accordance with PCC resolutions. Dr. Sun further urged all parties to submit immediately lists of their delegates to National Assembly.

STUART

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Marshall Mission Files, Lot 54-D270*Minutes of Meeting Between General Marshall and Dr. Stuart at  
Nanking, October 14, 1946, 5 p. m.*

Also present: Colonel Caughey

Dr. Stuart and General Marshall agreed that it was an appropriate time for them to transmit to the Generalissimo a copy of the proposed statement <sup>54</sup> for release by the Generalissimo which General Marshall had prepared (Statement was dispatched to the Generalissimo through General Pee).

Dr. Stuart stated that Mr. Sun Fo had told him that General Chou was ready to return to Nanking after the capture of Kalgan, but he had changed his plan when he had heard of the Government's arbitrary mandate concerning the convocation of the National Assembly.

Dr. Stuart handed General Marshall a copy of a memorandum <sup>55</sup> (attached) reportedly given by the Generalissimo to Mr. Sun Fo con-

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<sup>54</sup> *Infra.*<sup>55</sup> Memorandum by Generalissimo Chiang Kai-shek, p. 364.



cerning the measures which the Government is prepared to initiate. Dr. Stuart continued by stating that this memorandum was taken by Mr. Sun Fo to Shanghai and that he (Mr. Sun Fo) would reconvene the minor party group upon his return for the purpose of discussing the Generalissimo's measures.

Dr. Stuart stated that he had seen the Generalissimo a little earlier this day and that the Generalissimo said he is ready to issue a termination of hostility order as soon as the Three Man and Five Man Committees meet. The Generalissimo, however, added that he wanted a guarantee from the American mediators that the Communists will conduct themselves during the negotiation in good faith.

With reference to the Generalissimo's desires for guarantee, General Marshall said that it would be equally impossible for the American mediators to guarantee the actions of the Communists as it would be for the Generalissimo to guarantee the activities of people like Chen Li-fu and other reactionaries in the Kuomintang.

Dr. Stuart concluded the meeting by stating that the Generalissimo had told him the atmosphere in Peiping on the part of the Communists had now changed to one of politeness toward Americans and Government representatives.

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Marshall Mission Files, Lot 54-D270

*Redraft of Suggested Statement for Generalissimo Chiang Kai-shek* <sup>56</sup>

A continuation of the present political and military situation in China will be destructive of the interest of a long suffering people. It will render impossible the unification of our country and will threaten the peace of the world. Therefore, it is necessary that an early solution be found to the present conflict and that peace be restored to the land. But as the responsible head of the Government of China, I must see that the necessary measures are taken to safeguard the security of the nation, since we are dealing with a political party which maintains a large army to support its political policies.

In the past three months, I have stipulated certain conditions that must be met by the Communist Party before a peaceful accord could be achieved and to which they have thus far refused to agree. They demanded an immediate meeting of the Committee of Three of which General Marshall is the chairman. That committee reached an impasse in its negotiations the latter part of June and unless there are certain preliminary but vital agreements or understandings, a meeting of the committee would not only be ineffective, but its future usefulness

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<sup>56</sup> Prepared by General Marshall and approved by Ambassador Stuart on October 14.

would be fatally impaired. I have insisted that the proposed group of five men under the chairmanship of the United States Ambassador, Dr. Stuart, selected to reach an understanding between the Government and the Communist Party for the establishment of the coalition State Council should first meet as an evidence of the good intent of both the Government and the Communist Party towards the reorganization of the government in accordance with the resolutions of the Peoples Consultative Council.<sup>57</sup> With this reassurance of good faith on both sides, there would be a new basis of trust for the termination of the hostilities now disrupting China. I have further stated that concurrent with the termination of hostilities, the Communist Party should indicate its honest intention to cooperate in the reorganization of the government by announcing its delegates to the National Assembly to meet on November 12 to determine on a democratic constitution for the Government of China.

In view of the seriousness of the situation, the misunderstandings and public confusion, and the distrust and suspicions unfortunately prevalent, I now make the following public announcement of the conditions under which the government is prepared to act to secure an immediate cessation of hostilities.

The Five Man Committee under the chairmanship of Doctor Stuart to meet immediately and at the same time, the Committee of Three under the chairmanship of General Marshall, with the following understandings:

(a) The opposing troops in close contact be separated in accordance with the procedures tentatively reached by the Committee of Three in June for Manchuria.<sup>58</sup>

(b) The restoration of communications to be immediately resumed in accordance with the agreement tentatively reached by the Committee of Three last June.<sup>59</sup>

(c) The method for settling disagreements among the team members of Executive Headquarters and Commissioners at Executive Headquarters to be in accordance with the agreement tentatively reached by the Committee of Three last June.<sup>60</sup>

(d) The tentative agreement reached last June by the Committee of Three for the redistribution of troops in Manchuria<sup>61</sup> to be confirmed.

(e) The government troops north of the Yangtze to continue in occupation of localities now under their control until the agreement by the Committee of Three is reached for the redistribution, reorgani-

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<sup>57</sup> For correspondence, see vol. ix, pp. 131 ff.; for texts of resolutions, see Department of State, *United States Relations With China* (Washington, Government Printing Office, 1949), pp. 610-621.

<sup>58</sup> Approved on June 24, vol. ix, p. 1186.

<sup>59</sup> Approved on June 24, *ibid.*, p. 1187.

<sup>60</sup> Approved on June 24, *ibid.*, p. 1189.

<sup>61</sup> See draft preliminary agreement of June 29, *ibid.*, p. 1244.

zation and demobilization of troops, Government and Communist alike for the unification of the armed forces in China.

(f) Whatever understanding is reached by the Five Man Committee headed by Dr. Stuart, it is to be confirmed by the Steering Committee of the PCC without delay.

(g) Questions of local government to be settled by the newly organized State Council.

(h) The Constitutional Draft Committee to be convened immediately and the agreed draft to be submitted to the National Assembly as the basis for its action.

(i) Concurrent with the cessation of hostilities which is to be effected immediately following the agreement of the Communist Party to the foregoing procedure, that party is to announce its intention of participating in the National Assembly by publishing its lists of delegates thereto.

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711.93/10-1546 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 15, 1946.

[Received 3:45 p. m.]

1666. Following, from Yenan broadcast of October 7, are answers made by Mao Tse Tung, chairman of Chinese Communist Party, to questions of Mr. A. T. Steele, *New York Herald Tribune* correspondent, in interview on September 29.

“Question. Do you consider that American mediation in China civil conflict has failed? What will be the result of American policy in China if it continues in its present form?

Answer. I doubt very much that the policy of the American Government can be called mediation. Judging from the fact that the huge aid to Chiang Kai-shek by the United States has enabled him to launch civil war on an unprecedentedly large scale, the policy of the American Government is to strengthen Chiang from all sides under the cover of so-called ‘mediation’ and suppress the Chinese democratic force and make China her colony through China’s policy of slaughter. The continuation of such a policy will inevitably arouse all Chinese patriots of the entire nation to resolute resistance.

Question. What will be the result of the civil war in China? How long will it last?

Answer. If the American Government gives up its present policy of one-sided aid to Chiang and carries out the agreement of the Three Power Conference in Moscow,<sup>62</sup> the civil war in China will certainly come to an early end, otherwise it will possibly become a prolonged

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<sup>62</sup> For correspondence concerning the Conference of Foreign Ministers at Moscow in December 1945, see *Foreign Relations*, 1945, vol. II, pp. 560 ff.



war. As a result, it is certain that the Chinese people will suffer, but on the other hand, they will surely unite together to defend their own existence and settle their own fate. However difficult it may be, the task of the Chinese people for independence, peace and democracy will surely be realized. It is impossible for any domestic and foreign oppressible force to check the realization of such a task.

Question. Do you consider Chiang Kai-shek the logical leader of the Chinese people? Would the Communists, under any conditions, not accept the five point demands of Chiang Kai-shek? If the Kuomintang attempts to hold a national assembly without Communist participation, what will the Communist do?

Answer. There has never been the so-called 'logical leader' in the world. If Chiang Kai-shek can solve the Chinese political, military, economic and other problems according to the cease fire agreement of January this year and the resolutions jointly passed in the Political Consultative Conference and not according to the so-called 'five point' or ten point unilateral demands violating the above-mentioned agreements, we are still willing to work together with him. The National Assembly should only be jointly called by all parties and groups according to the Political Consultative Conference decisions, otherwise we will adopt an attitude of firm opposition".

STUART

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893.00/10-1546

*The Ambassador in China (Stuart) to the Secretary of State*

No. 191

NANKING, October 15, 1946.

[Received October 31.]

SIR: I have the honor to refer to my despatch no. 182 of October 9<sup>63</sup> and to report in brief, which General Marshall has reported in detail, the latest developments in our mediation efforts.

General Marshall's trip to Shanghai to see General Chou En-lai was fruitless in its immediate purpose but it did not fail to impress the public with his willingness to go to any length in persuasive endeavor. Indirectly it stirred minority party leaders and others to make a similar attempt and thus avert a final break. They were apparently about to succeed when by an unfortunate coincidence the fall of Kalgan and the promulgation of the National Assembly order happened on the same day (October 12). The former caused a violent emotional reaction; the latter a decided dispute as to whether the President had the right to fix the date for the Assembly without consulting

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<sup>63</sup> *Ante*, p. 330.

the leaders of the other parties. These saw in his unilateral action high-handed dictatorial tendencies and the Communist Party utilized this feeling to rally the minority groups towards its side.

President Chiang's explanation to me, however, was that he had originally last autumn fixed the date for the Assembly on May 5, 1946. No one then questioned his right as the head of the Government to do this. When the PCC met in January this date was quietly ratified. Again on April 24, when it became evident that arrangements for the Assembly could not be completed, he announced a postponement, informing the representatives of the other groups of this action in which they then acquiesced. In July he announced that the date would be on November 12, and according to a regulation already adopted that an official notice be issued one month in advance he confirmed this on October 12. To his mind all this was consistent with the initial proclamation by him and within his recognized authority. But when I explained this to one of the most influential and broad-minded leaders of the Democratic League he contested the facts and made it very clear that there was to his mind in this apparently trivial matter an issue of principle which he and his associates felt to be vital.

This incident illustrates the nature of the topics upon which there is disagreement and the long and often acrimonious discussions over them. Of course, underlying all these minor points of controversy there are very real ideological divergences and struggles for power, all intensified by personal or party hatred. But they add to the perplexity of trying to form a judgment as to whether these details, disputed in an atmosphere of fearful distrust and bitter antagonism, are the causes of Communist reluctance to cooperate, or whether there is something else of far more serious import. That there is something more can be safely assumed, but how much more and from what source?

General Marshall and I have meanwhile been in consultation with some of the leaders of the minority groups as well as with President Chiang who is about to issue another more irenic open letter to the Communist Party based on a suggested draft by General Marshall.<sup>64</sup> Dr. Sun Fo is at work in Shanghai in what is almost literally a last-minute attempt to save the situation.

Respectfully yours,

J. LEIGHTON STUART

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<sup>64</sup> *Ante*, p. 367.

Marshall Mission Files, Lot 54-D270

*Notes of Conference Between General Marshall and General C. P. Lee*<sup>65</sup> at General Marshall's Residence, Nanking, October 15, 1946, 11:15 a. m.

Also present: Captain Soong<sup>66</sup>

General Lee reported that he had conferred with Mr. Tung Pi-wu of the Communist delegation, who had told him that the fundamental question in the China issue today is between the United States and Russia. Answering General Lee's question regarding the loss of Kalgan, Mr. Tung said that the capture of Kalgan by the Government troops did not alter the situation very much because the Communists did not lose their strength. It was Mr. Tung's belief that the United States' China policy would now determine the issue.

General Marshall said American policy is one thing and propaganda another.

General Lee further stated that the Communists are now accusing the United States of gathering all the conservative elements in the world, including the President of the Philippine Islands, to oppose Russia. General Marshall stated that he resented very much the bringing of the Philippine Islands into the discussion. He stated that American policy toward the Philippines was one of the most honorable episodes in world history.

General Lee then said that it is very difficult to change the Communists' psychology. However, General Lee felt that there is still a chance for peace because the Communists are being badly defeated. If the Government is sincere in securing peace and shows the Communist Party as much leniency as possible, then peace is still obtainable.

General Marshall said he and Dr. Stuart had done their best to persuade the Government to give all possible concessions. The only thing they could get from the Government at this time was the 10-day truce which the Communists rejected.

General Lee asked about the possibility of initiating the Five Man Advisory Group he proposed previously.

General Marshall said that Dr. Sun Fo now has a similar organization and that he was in Nanking conferring with the Generalissimo yesterday. He had now returned to Shanghai with certain terms. It was probably best to wait and see what Dr. Sun and his group would do. General Marshall then said Mr. Liang Shu-ming of the Democratic League felt that the announcement by the Generalissimo,

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<sup>65</sup> Gen. Chen-pien Lee, Director of the Serum Institute, Chinese Ministry of National Defense.

<sup>66</sup> John L. Soong, U. S. Army, language aide to General Marshall.



confirming the convocation of the National Assembly, closed the front and back doors for further negotiations. General Marshall, however, did not agree.

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Marshall Mission Files, Lot 54-D270

*Redraft of Suggested Statement by Generalissimo Chiang  
Kai-shek*<sup>67</sup>

In my October 10th broadcast to the nation, I stated that the Government has always adhered to the political solution of our domestic political problem and would not give up this attitude under whatever circumstances. I further stated that the cessation of hostilities had also been the consistent policy of the Government. As regards the developments since last June, I have made the following statement:

"The Military Committee of Three met in June this year, primarily to seek agreement on the restoration of communications and the determining of the location of the Communist troops, thereby insuring the implementation of 'Cease-fire'. The Committee was deadlocked on account of the obstinacy of the Communist Party.

"During the last three months I have advanced certain proposals for consideration and acceptance by the Communists, but these were all rejected. The Communists, subsequently, demanded the immediate convocation of the Military Committee of Three under General George C. Marshall.

"In the light of past events, no hope for improvement could be entertained from re-convening the Military Committee of Three, in the absence of agreement and understanding first on certain main fundamental issues. For this reason, I have strongly favored first convening the Five Man Group under United States Ambassador J. Leighton Stuart so that agreement might be reached by the Government and the Chinese Communist Party on the organization of the State Council, thus demonstrating their sincerity in observing jointly the resolutions of the Political Consultation Conference and using it as a basis for the implementation of those resolutions. Only after the re-establishment of such sincerity will there be new mutual-faith and mutual-aid.

"I also proposed that, simultaneously with the declaration of 'cease-fire', the Chinese Communist [Party] should put forward a list of their delegates to the National Assembly to be held on November 12, thereby showing their sincerity in co-operating with the Government."

This serves to explain why I favored the meeting of the Five Man Group first for the realization of peace. But before October 10th, the Chinese Communists have rejected the proposal of October 2

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<sup>67</sup> Given to General Marshall by Madam Chiang the evening of October 15.

by the Government and have also turned down the truce proposals from General Marshall and Ambassador Stuart. The Government, nevertheless, is not going to abandon its policy of "peaceful settlement" and will still seek for a settlement by mediation and consultation. Because the present political and military situation in the country must not be allowed to continue and thus intensifying the ordeal of the people; and we are to-day dealing with a political party which, being different from an ordinary political party, maintains a large army to support its political policies.

Therefore, I have also made it clear in my broadcast: "I wish to propose the convening of the twin committees at the same time" and "as soon as agreement is reached, the Government will immediately issue a 'cease fire' order, provided that the Chinese Communists call a halt to their military operations and cease their attacks on the National troops."

In view of the new development of the situation and the earnest desire for peace by the whole nation, I now propose the following concrete and practical methods as the prerequisites under which the Government is prepared to act to secure a cessation of hostilities:

First, the Five Man Committee under the chairmanship of Doctor Stuart to meet immediately to discuss the re-organization of the National Government; and second, at the same time, the Committee of Three under the Chairmanship of General Marshall, with the following understandings:

(1) The opposing troops in close contact to be separated in accordance with the procedures tentatively reached by the Committee of Three in June for Manchuria.

(2) The restoration of communications to be immediately resumed in accordance with the agreement tentatively reached by the Committee of Three last June.

(3) The method for settling disagreements among the team members of the Executive Headquarters and Commissioners at Executive Headquarters to be in accordance with the agreement tentatively reached by the Committee of Three last June.

(4) The tentative agreement reached last June by the Committee of Three for the redistribution of troops in Manchuria to be confirmed and to be carried out according to a fixed schedule.

(5) The Government troops in North China and Central China to continue in occupation of localities now under their control until the agreement by the Committee of Three is reached for the redistribution, re-organization and demobilization of troops, Government and Communist alike for the unification of the armed forces in China.

(6) Whatever understanding is reached by the Five Man Committee headed by Doctor Stuart, it is to be confirmed by the Steering Committee of the PCC without delay.

(7) Questions of local government, excluding Manchuria, to be settled by the newly organized State Council.

(8) The Constitutional Draft Committee to be convened immediately and the agreed draft to be submitted to the National Assembly, through the National Government, as the basis for its action.

(9) Concurrent with the cessation of hostilities which is to be effected immediately following the agreement of the Communist Party to the foregoing procedure, that party is to announce its intention of participating in the National Assembly by publishing its lists of delegates thereto.

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Dr. Stuart  
at No. 5 Ning Hai Road, Nanking, October 16, 1946, 11 a.m.*

Dr. Stuart opened the meeting by outlining the current developments in the status of negotiations. Dr. Stuart reported that Mr. Mo Tai Wei <sup>68</sup> and Li Chen <sup>69</sup> had had an all day conference in Shanghai yesterday with minor parties and as a result of that meeting three delegates went to see General Chou to urge him to return to Nanking. Strikingly significant is the fact that during the discussion with General Chou, General Chou made no comment whatsoever. Mr. Mo Tai Wei and Li Huang <sup>70</sup> returned to Nanking and sent a delegate to report to Dr. Stuart. Mr. Mo Tai Wei is of the opinion that in order to develop specific results the Government should send a higher ranking individual to Shanghai to further encourage General Chou to return to Nanking. General Marshall said this would probably be very helpful but that the Generalissimo might soon put out a statement which would change this procedure slightly.

General Marshall said that Madame Chiang Kai-shek had called on him the previous evening and brought with her a rewritten version <sup>71</sup> of the statement which he and Dr. Stuart had sent to the Generalissimo yesterday. <sup>72</sup> General Marshall remarked that the rewritten statement was jumbled in thought and provocative in nature, and that he (General Marshall) struck out considerable portions of the Generalissimo's version.

General Marshall continued by stating that there were three important matters in connection with the statement, as it presently stands, and these are: 1) There must be a definite understanding between the two parties as to what the statement actually means. In effect the Generalissimo's statement, if agreed to by General Chou, would permit the immediate cessation of hostilities as well as constitute a

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<sup>68</sup> Probably Mo Teh-hui, member of the Presidium of the Chinese People's Political Council.

<sup>69</sup> Lei Chen, Secretary General of the Political Consultative Conference.

<sup>70</sup> Member of the People's Political Council.

<sup>71</sup> *Supra*.

<sup>72</sup> See draft of October 14, p. 367.



complete procedure for arriving, step by step, at a peaceful solution. Neither side, after agreeing, could then delay while awaiting developments of either the Three Man Committee or the Five Man Committee. 2) How to put the procedure into effect after it is agreed to. General Marshall stated that if the Communists, through Chou expressed written agreement to the procedure and understandings it would be necessary first to convene the Committee of Three to prepare the order for the termination of hostilities. In this connection he stated that this would be a very delicate job since the Communists would desire to go all the way back to the 10 January agreement for defining troop dispositions, whereas the National Government will insist on holding all territories which they presently occupy. General Marshall stated that he would try to settle this issue by establishing a temporary *status quo*; providing for the settlement of difficulties between troops in close contact; and leaving until later the question of redispersing troops in accordance with a revised 25 February agreement.<sup>73</sup> 3) The Generalissimo excluded Manchuria in connection with resolving the local administration problem. General Marshall stated that the Communists would take exception to this exclusion which will make it very difficult for Dr. Stuart and his Five Man Committee to resolve this question.

General Marshall continued by stating that as a result of the vicious personal attacks of the Communists on him, it would be necessary for Dr. Stuart to handle the negotiations until such time as the Committee of Three should actually meet. At this time General Marshall will step back into the picture as chairman of that Committee. Dr. Stuart and General Marshall agreed that they should exert every pressure on the Generalissimo to issue without delay the public statement just prepared.

Dr. Stuart outlined in general his trip to Hangchow on Friday and stated that he would plan to go on this trip unless some development took place in the meantime which demanded his presence in Nanking.

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893.00/10-1646 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 16, 1946.

[Received October 16—6 a. m.]

1671. In October 15 interview with United Press Dr. Sun Fo said "if Communists are wise they should accept new Government offer" and added that since Communists have lost strategic advantage in war

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<sup>73</sup> On military reorganization and integration, vol. ix, p. 295.

the only thing now for Third Party leaders and Communists to do is come to Nanking, participate in Three and Five Man Committees, PCC steering, and draft constitution reviewing committees to which Government has agreed. He added that there is still time to work out agreement and said that the most urgent problem today is cessation of hostilities and that once this is accomplished all other questions will automatically be solved. He believed, however, that in the long run most important problem is draft constitution.

Dr. Sun said that Government has to all intents and purposes [apparent omission] of immediate cease fire which Government cannot do as yet until Communists agree to halt fighting themselves and until Chou En Lai comes to Nanking to work out agreement in Three Man Committee. Dr. Sun added he did not believe Communist demand for restoration of January 13 *status quo* militarily in China is acceptable but that the Government is willing to go at least half way in meeting desires of minority parties once they return to Nanking. "We cannot undo what has been done." He also said that if minority parties refuse this offer then "most probably" the Government will go ahead with its reorganization plan and national assembly.

STUART

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893.00/10-1746 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 17, 1946.

[Received October 17—12:45 a. m.]

1677. Statement by Gmo, released at 10 p. m. October 16 follows:

"In my October 10 broadcast <sup>74</sup> to the nation, I stated that the Government has always adhered to the political solution of our domestic political problem and would not give up this policy of peaceful settlement under whatever circumstances. I further stated that the cessation of hostilities had also been the consistent policy of the Government.

The Chinese Communists rejected the recent proposal of October 2 by the Government and later also turned down the truce proposals from General Marshall and Ambassador Stuart, and the Government, nevertheless, is not going to abandon its policy of 'peaceful settlement' and will still seek for a settlement by mediation and consultation. The present political and military situation in the country must not be allowed to continue and thus intensify the suffering of the people. But, as the responsible head of the Government of China, I must see that the necessary measures are taken to safeguard the peace and security of the nation, since we are dealing with a political party which maintains a large army to support its political policies.

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<sup>74</sup> See telegram No. 1639, October 12, from the Ambassador in China, p. 359.

In view of the new development of the situation, the earnest desire for peace by the whole nation and the hope for an early cessation of hostilities as expressed by the various parties and non-partisans in the last few days, I now reiterate the Government's sincerity in finding a peaceful solution and propose the following concrete and practical procedure, upon the Communist agreement of which, the Government is prepared to act and secure an immediate cessation of hostilities:"

[Here follows text of plan of procedure set forth in memorandum of October 17 by Generalissimo Chiang Kai-shek to General Marshall, printed on page 380.]

STUART

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893.00/10-1746 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 17, 1946.

[Received October 17—8:18 a. m.]

1681. Minister of Information October 10 [16?] issued following statement:

"On Monday <sup>76</sup> Dr. Sun Fo put forward a suggestion calling for the convocation simultaneously of the unofficial Group of Five, the Committee of Three and the Draft Constitution Committee in order to solve such problems as cessation of hostilities, reorganization of the army, reorganization of the national government and completion of the revision of the draft constitution.

Dr. Sun Fo further suggested that some of the conclusions reached in the above-mentioned committees should be reported to the Steering Committee of the Political Consultative Conference for deliberation and adoption.

To this suggestion the Government and PCC delegates in Shanghai have all expressed their favorable reaction. Exchange of opinion is taking place although the Communist delegates have not as yet broken their silence.

The convocation of the Committee of Three was requested by the Chinese Communist Party and agreed upon by the Government long before the recovery of Kalgan. The Government has been and still is anxious about cessation of hostilities. For its realization, however, concrete and adequate measures must be decided upon so that the fighting along the extended fronts may be effectively stopped and that the intermittent fighting may not occur again. For this reason the mere unilateral 'cease fire' order cannot be expected to give the desired result. These problems should be decided and solved by the Committee of Three.

We are still looking forward to the coming to the capital of the Communist and other delegates for the resumption of the peace talks.

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<sup>76</sup> October 14.



We must not attach too much importance to the capture or loss of a few cities. The whole territory of China should come under the jurisdiction of the Central Government. On the other hand, the Communists are invited to participate in the Central Government. Therefore, the changing of hands of a few cities should in no way be regarded as a gain to the government or a loss to the Communists."

Following Generalissimo's statement October 16,<sup>77</sup> Dr. Sun Fo said that statement must not be taken as a new Government demand on Communists and that eight conditions in the statement are preponderantly aimed at securing nationwide peace at an early date. Sun added that Government [offer?] of further concessions despite recapture of Kalgan is evident peaceful intention.

STUART

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Marshall Mission Files, Lot 54-D270

*Notes on Meeting Between General Marshall and General Yu Ta-wei* <sup>78</sup>  
at No. 5 Ning Hai Road, Nanking, October 17, 1946, 11:30 a.m.

Also present: Colonel Caughey

General Yu Ta Wei handed General Marshall the English (copy attached <sup>79</sup>) and Chinese text of a letter from Generalissimo to General Marshall containing the Government's proposals with reference to the continued negotiations. Upon inspection it was found that this letter was almost identical to the announcement put out by the Generalissimo the evening before—this being the formal notification to the Communists concerning the Government's views. General Yu Ta Wei said that the Generalissimo signed this letter but wanted him (General Yu Ta Wei) to present it to General Marshall to determine if there should be any changes prior to its being handed to General Marshall formally. General Marshall stated that he had no comments and thereupon General Yu Ta Wei made formal delivery.

General Marshall directed that the English version of the Government's proposals be prepared in a memorandum form and that it be dispatched to Doctor Stuart with a request that he turn it over immediately to Communist representatives. (This was done and Doctor Stuart reported later that he had physically delivered the Government's proposals to Mr. Wang Ping Nan <sup>80</sup> at 4:30 p.m.).

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<sup>77</sup> *Supra.*

<sup>78</sup> Chinese Minister of Communications.

<sup>79</sup> *Infra.*

<sup>80</sup> Member of Communist Party delegation.

Marshall Mission Files, Lot 54-D270

*Memorandum by Generalissimo Chiang Kai-shek to General Marshall*

[NANKING,] 17 October 1946.

DEAR GENERAL MARSHALL: With the view to reiterating the sincerity of the Government to find a peaceful solution of all pending problems, I make once more a new constructive proposal and request that General Marshall and Dr. Stuart transmit the same to the representative of the Chinese Communist Party. There follows the proposal of the Government:

The Government, reiterating its sincerity in finding a peaceful solution of all pending problems, propose the following concrete and practical procedure, upon the Communist agreement of which, the Government is prepared to act to secure an immediate cessation of hostilities:

The Five Man Committee under the chairmanship of Doctor Stuart to meet immediately to discuss the re-organization of the National Government; and at the same time, the Committee of Three under the chairmanship of General Marshall, with the following understandings:

(1) The restoration of communications to be immediately resumed in accordance with the agreement tentatively reached by the Committee of Three last June.

(2) The method for settling disagreements among the team members of the Executive Headquarters and commissioners at Executive Headquarters to be in accordance with the agreement tentatively reached by the Committee of Three last June.

(3) The tentative agreement reached last June for the redistribution of troops in Manchuria to be carried out according to a fixed schedule without delay.

(4) The Government troops and Communist troops in North China and Central China to continue in occupation of localities now under their control until the agreement by the Committee of Three is reached for the redistribution, re-organization and demobilization of troops, Government and Communist alike, for the unification of the armed forces in China.

(5) Whatever understanding is reached by the Five Man Committee headed by Doctor Stuart, it is to be confirmed by the Steering Committee of the PCC without delay.

(6) Questions of local government, excluding Manchuria, to be settled by the newly organized State Council.

(7) The Constitutional Draft Committee to be convened immediately and the agreed draft to be submitted to the National Assembly, through the National Government, as the basis for its action.

(8) Concurrent with the proclamation of the cessation of hostilities which is to be effected immediately following the agreement of the Communist Party to the foregoing procedure, that party is to announce its intention of participating in the National Assembly by publishing its lists of delegates thereto.

Marshall Mission Files, Lot 54-D270

*Memorandum of Conversation Between Ambassador Stuart and  
Mr. Wang Ping-nan*<sup>81</sup>

[NANKING, October 17, 1946.]

Dr. Stuart telephoned at 5:15 to report that Wang Ping-nan had just left and taken with him the government's proposal. Wang arrived at 4:30.

Wang does not like procedure no. 4 but Dr. Stuart told him that could be discussed at the three-man committee meeting.

Wang also wanted the government to make a graceful generous gesture and give back Kalgan since the Government had now proved it could take it. Dr. Stuart told him that the Generalissimo wouldn't consider that *now* but that he felt sure Kalgan wouldn't be permitted to stand in the way of final settlement by either side, and that a friendly solution could be found.

Dr. Stuart said one thing was clear in his mind and that was the friendly feeling Wang has for General Marshall. Wang asked if Marshall was planning to leave and Dr. Stuart said Wang's face lighted up when he replied that General Marshall would stay as long as he felt he could help in reaching a settlement.

Dr. Stuart said he urged Wang to keep the matter open and not make a final break.

After presenting the government proposal to Wang, Wang read it then asked for the Ambassador's advice. Dr. Stuart said he made the strongest possible statement at great length and with as much feeling as possible. Dr. Stuart said he pointed out the issues at stake; the fact that America was not aiding the Nationalists; that America wanted a strong united, democratic peaceful China; that we had no regard to the party in power but wanted a strong opposition party to make the government democratic and help combat the graft, corruption and inefficiency.

Wang promised to report the conversation and the proposal to Chou En-lai as soon as possible.

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Marshall Mission Files, Lot 54-D270: Telegram

*General Marshall to President Truman*<sup>82</sup>

[NANKING,] October 17, 1946.

1663. DEAR MR. PRESIDENT: Since my message of October 10, 1946,<sup>83</sup> Doctor Stuart has had frequent interviews with Government officials,

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<sup>81</sup> Prepared for General Marshall by his office staff.

<sup>82</sup> Copy transmitted to the Secretary of State by the War Department on October 17.

<sup>83</sup> *Ante*, p. 349.



the leading member of the Democratic League and the leading members of the Young China Party, as well as with non-party men of prominence. A lengthy message from Shanghai dated October 9<sup>84</sup> was received by me from General Chou which was transmitted to the Government. It is repeated to you in 1662.<sup>85</sup> The Generalissimo made a broadcast on the 10th reiterating his standard reasons therefor.

As a result of the interviews with Doctor Stuart, a group representative of the leadership in the Democratic League and the Young China Party proceeded to Shanghai with the purpose of inducing General Chou to return to Nanking. Unfortunately at the same time without notice to us the Government issued an official confirmation of the date for the National Assembly, November 12. This aroused strong feeling in all minority parties and made it impossible to persuade General Chou to return to Nanking. The Generalissimo in explanation to Doctor Stuart and me stated that the formal confirmation of the November 12 date was merely a routine procedure, a matter to which he felt no proper objection could be taken. The regulations of the Kuomintang required a formal notification and confirmation one month before the date of meeting. The minority parties on the other hand claimed that this is a matter of great importance to them and an evidence of unilateral and dictatorial action on the part of the Government. Doctor Stuart and I thought the proclamation at that time was tactless, an unnecessary irritation, but it did not appeal to us as a matter of great moment. However leaders of the Democratic League insisted that it was of great moment and we would make a serious tactical error in not considering it as such. Their reasoning stems from an oral discussion and claimed agreement on April 24 between representatives of all the parties and the Generalissimo at the time of the decision to postpone the meeting of assembly scheduled for April [*May*] 5.

Since October 10, Doctor Stuart and I have had frequent interviews with the Generalissimo, which finally resulted last night in the issuance by him of a public statement based on my original proposed statement<sup>86</sup> (see 1588<sup>87</sup>) with modification by him in the introduction, with additions by me to the conditions or understandings, which in turn the Government modified in part (see 1661<sup>88</sup>). The most serious modification related to the exclusion of Manchuria from the regions in which the Government agreed to settle the question of local government in the State Council. However the Government con-

<sup>84</sup> *Ante*, p. 345.

<sup>85</sup> October 17, not printed.

<sup>86</sup> September 27, p. 238.

<sup>87</sup> October 2, not printed.

<sup>88</sup> October 17, not printed. It repeated President Chiang's statement of October 16, quoted in telegram No. 1677, October 17, p. 377.

ceded that the location of troops, Communists and Government alike, would be settled by the Committee of Three and, probably most important of all that the Constitutional Draft Committee would be immediately convened and its draft would be the basis for discussions by the National Assembly.

This morning the Generalissimo sent me a formal letter<sup>89</sup> transmitting the body of his public statement and requesting Doctor Stuart and me to transmit it to the Communists.

Just what the Communist reply will be is difficult to predict. During the last call on Chou En-Lai in Shanghai by representatives of the other minority parties, he listened in silence to their persuasions, making no reply whatever. There is the possibility that the Communists will decline to accept my services in the Committee of Three. Doctor Stuart, however, does not share this fear. While I felt that Doctor Stuart's position in China was beyond attack as to the integrity of his actions, yesterday an attack was made on him as being subservient to a United States Governmental policy which was hostile to the Communists. We must await and see the developments of the next few days before attempting to estimate the situation.

Incidentally, we should have in mind that the Communists are, I think, sincerely convinced that the surplus property transaction<sup>90</sup> has had and is having an important influence on the continuation of military operations. As a matter of fact it will be several months before the nonmilitary products of this negotiation are received and ready for distribution in China, and probably four or five months before the truck transportation, for example, will be received and sufficiently reconditioned to be available for use. Nevertheless the Communists' belief, while exaggerated in propaganda, is fairly sincere. They are of course unaware of the restrictions that have been placed on the National Government in the shipment of ammunition, airplanes, and similar items. Their rank and file very naturally, particularly in view of their vigorous and skillful party propaganda, is embittered by the fact that they are confronted in the fighting with American munitions. The fact that this equipment of the Armies of China is based on agreement as far back as 1943 does not enter into their reasoning. They themselves lack in equipment and ammunition and they are driven back by American equipment and ammunition. Their argument, in effect, is that the National Government should be disarmed, which would be the case if denied the use of the American munitions which are the basis of their Army organization. I elabo-

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<sup>89</sup> *Ante*, p. 380.

<sup>90</sup> Agreement signed at Shanghai on August 30, p. 1033.

rated on this point of view not at all as an argument but merely to assist you in evaluating psychological reactions at the present time.

G. C. MARSHALL

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Marshall Mission Files, Lot 54-D270

*Notes on Meeting Between General Marshall and Mr. Liang Shu-ming and Mr. Yeh Tu-yi<sup>91</sup> at General Marshall's Residence, Nanking October 17, 1946, 4:20 p.m.*

Also present: Colonel Caughey  
Captain Soong

Mr. Liang said he had just received a telephone call from Mr. Carsun Chang<sup>92</sup> in Shanghai. Mr. Chang informed him that the members of the Third Party Group—members of the Non-Party Group, Young China Party and the Democratic League—held a meeting this morning to discuss the statement made by the Generalissimo. This statement, together with the visit of the three Government representatives in Shanghai, is extremely important because it may lead to either a successful conclusion of the negotiations or a total failure.

Mr. Liang said that the Third Party members at Shanghai had then paid a visit to General Chou En-lai. The reaction of the Communist Party to this visit was that they may have something to add to certain stipulations in the statement, but they gave indication that the proposal was unacceptable. Therefore, the members of the Third Party had agreed to ask Dr. Stuart and General Marshall to come to Shanghai for a conference with them. They felt many issues regarding the military aspects are only known to him, and, also with General Marshall's presence in Shanghai together with the Government representatives and the Third Party members, there may be a better chance for success. Mr. Liang said that he was asked by the members of the Third Party in Shanghai to represent them in inviting General Marshall and Dr. Stuart to attend the Third Party Conference. Mr. Liang continued to say that it was his impression that Dr. Stuart felt the time is too early for the American mediators to make such a trip. However, Mr. Liang felt that if Dr. Stuart and General Marshall would go tomorrow, they would arrive at Shanghai one day after the three Government representatives had arrived. This would not be too soon.

General Marshall assured Mr. Liang that he would do everything in his power to help to bring to an end the hostilities and to facilitate negotiations. He appreciated the invitation and understood the cir-

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<sup>91</sup> Representatives of the Chinese Democratic League.

<sup>92</sup> Chang Chun-mai, head of the Chinese Democratic Socialist Party.



cumstances perfectly. However, he shared the same opinion as Dr. Stuart.

General Marshall felt that, at the present there should be a pause in American efforts during which the Chinese should conduct the discussions themselves. Following this discussion, certain points would be arrived at. Then, it would be the appropriate time for the mediators to step in.

General Marshall commented on the present views of the Communist Party regarding his impartiality in the negotiations. If he should participate in the present meeting of the minority, the Communist Party would feel that General Marshall is attempting to win over the Democratic League from the Communist Party.

General Marshall then elaborated on how the Communist Party had capitalized on the surplus property transaction in its propaganda. He explained that the surplus property transactions either had to be closed during August or not at all, and that he had decided to close the transactions because he did not want to deny the Chinese people the only fair opportunity to recover themselves economically; that the negotiations had been going on since last December; that the Government had been the delaying factor and that the material could not reach China in time to be effective in the war effort.

Mr. Liang said that he could believe what General Marshall had just explained. However, this surplus property transaction had left deep impressions with both the Kuomintang and the Communist Party. It had served as an encouragement to the Kuomintang and it had given the Communist Party a spiritual set-back. General Marshall replied that all of this was a boomerang from the Communist propaganda.

General Marshall then commented on the Communist Party propaganda line to the effect that the present Government military campaign was being conducted by United States trained soldiers. He explained that this propaganda did not have a sound logic because the training of the Chinese soldiers by the United States was dictated by him, as U. S. Chief of Staff, back in 1943 for the purpose of the more effective prosecution of the war against Japan. Now the Communists were propagandizing an action of several years back and for a totally different purpose.

General Marshall then commented on the withdrawal of Marines from North China. He said he had actually arranged to begin this withdrawal around the 15th of April, and the first transports arrived for that purpose. At that time, General Marshall requested General Chou En-lai's (of the Committee of Three) acquiescence in allowing the Government to replace the Marine garrison at Tsingtao, the Government had only four thousand troops there and the Communists 50,000 or more in the vicinity. General Chou En-lai declined. There-

fore, the Marines had to be retained. However, the actual withdrawal of the Marines did begin in June when the Government reinforced its garrison at Tsingtao, because of the Communist offensive of June 9 to 14 despite the truce of June 7th, by transporting the Government troops from Wu-sung to Tsingtao by its own vessels. Such withdrawal continued until the Anping incident.<sup>93</sup> However, despite this attack, the United States continued to relieve the Marines confidentially so as to avoid encouraging Communist attacks on Marines similar to that of the Anping incident.

General Marshall then said the United States combat Army personnel in China now only totalled two and one half companies of Military Police performing guard duties in Shanghai, Peiping and Nanking.

Mr. Liang thanked General Marshall for his explanation and said that he had two more points to make.

1. He understood that the Communist Party was faced with a dilemma. On one hand, they knew that good relations must be kept between China and the United States, yet on the other hand, they were rooting themselves deeply in hatred against the United States. The Democratic League sees this clearly and is willing to serve as a bridge between the United States and the Communist Party so that such conflicting viewpoints can be eliminated.

2. He wanted General Marshall to know that the political situation in China today cannot exclude the Communist Party and that it is wrong if the Kuomintang feels that it can form a government together with the Young China Party, the Non-Party Group and other minority parties without the Communist Party.

General Marshall said that he agrees with Mr. Liang's statements; in fact this was the basis for all his efforts in negotiating to date. General Marshall then mentioned that the principal trouble in the negotiations was that neither side appreciated the fears of the opposing side in judging the reasons, purpose of actions or proposals, and that overwhelming suspicion had made it difficult for both sides to accept any proposals made by General Marshall and Dr. Stuart.

General Marshall then emphasized the extreme difficulty in persuading the Generalissimo to issue the present statement. He added that it is extremely important for the Communist Party to view it carefully without suspicion. The order for a total cessation of hostilities could be obtained by the Committee of Three within two hours upon its meeting if the Communist Party could agree to the procedures indicated in the Generalissimo's statement.

Then Mr. Liang said that he would send Mr. Yeh back to Shanghai by tonight's train to confer with the other members of the Third

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<sup>93</sup> July 29.

Party Group. He then asked that, if the Third Party made progress and obtained encouragement from General Chou En-lai, would it be possible, then, for General Marshall to make a trip to Shanghai?

General Marshall replied in the affirmative.

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893.00/10-1746

*The Ambassador in China (Stuart) to the Secretary of State*

No. 206

NANKING, October 17, 1946.

[Received November 7.]

SIR: I have the honor to comment to you on general political conditions in China largely as background for the Communist Party issue and for guiding future American policy. In the following paragraphs I am drawing largely upon a memorandum by Dr. Nathaniel Peffer<sup>94</sup> written at my request after a verbal report. His impressions are based upon wide travel and contacts with all types of intelligent Chinese, many of them old friends of his. His summary has given factual confirmation of my much more restricted opportunity for observing current trends of thought and caused me no surprise. There are, however, hopeful and progressive factors which to some extent neutralize for me his extreme pessimism.

1. Perhaps the most serious feature is what is usually spoken of as the wide-spread corruption and inefficiency of the Government. This is even worse than the references in print which have come to my notice. It includes misrule, exploitation, graft, favoritism, incompetence and callous indifference to the welfare of the masses. There is also much ruthless and irresponsible repression, savoring strongly of fascist methods, and inspiring fear and resentment quite generally among intellectuals. The great majority of those in positions of authority are military rather than civilian officials.

2. Conditions such as these have naturally produced disillusionment and disloyalty among practically all well informed people. This is the more unfortunate in view of the high expectations which the new form of government had aroused. After V-J Day the populace in Japanese-occupied regions eagerly welcomed the returning representatives of their own Government, but this changed to surprise and then to bitter disappointment when they began to suffer from the extortion, blackmail and injustice everywhere practiced. The principal reason for the support of the Kuomintang among those who do not in some way benefit from its political power is the hatred of Communism. On the other hand, many even claim that there is little to choose between the evils of the two regimes. While it is generally

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<sup>94</sup> Professor of international relations at Columbia University, New York.



conceded that under well-established Communist control there is less "squeeze" and apt to be more active efforts for improvement of the livelihood of the poorer classes than under the Kuomintang, the oppression and violence which initiate and accompany this state of affairs is so repugnant to many that they are led to prefer the ills they know to those they know not of.

3. General economic and monetary consequences of the political turmoil are exceedingly serious and unless peace and stability can soon be restored may lead to governmental and fiscal chaos. The material hardships are a potent factor in weakening the popular morale and producing discontent or subversive activity.

4. The Communists have for some time past been carrying on vigorous anti-American propaganda and this will probably be greatly intensified from now on. This is largely mendacious and with the practical aim of achieving our withdrawal. It should be considered primarily in the light of prevailing non-Communist sentiment regarding American policy. The following quotation from Dr. Pepper is sobering.

"America is losing moral prestige in this country. There is beginning to emerge even a kind of resentment. Adherents of the Kuomintang and what may be called the reactionary resent that we do not give more active help toward crushing the Communists—and Russia by implication. A large class among business people, academic people, civil servants resent that we give the government just enough support to enable it to believe that it can act with impunity without putting on it enough pressure to make it change its spirit and its practices. The radical but not Communist think that our support both makes civil war possible and entrenches the worst elements in power. The extreme left is resentful because it believes we are entrenching a fascist regime in return for its being a tool for our own purposes, which it deems to be imperialistic domination. The charges against us vary according to source; but they are charges. For the first time we are under both resentment and suspicion. If one hears references now to America as the friend of China, one hears it with ulterior connotations—from those who want us to put in enough military force to defeat the Communists or from those who want us to use our power to compel the Kuomintang to reform. But for the first time America begins to occupy a new role in Chinese thought, and it is a role that denotes a loss of moral prestige. It ranges from disillusionment to open anti-Americanism. And it should not be ignored or underestimated."

As against this gloomy outlook there are also reassuring features which should not be overlooked:

*a.* In the Government itself there have never been in my experience so many men of unquestioned integrity and genuine patriotic purpose as at present. This applies especially to those in the highest positions but it is true of not a few in all ranks, notably among the younger

employees. There has been steady progress in this respect. The system and the accepted standards are vastly better than under any of the dynasties. The very attempt to overthrow the last of these, in shattering the whole administrative structure before the populace had been trained for republican citizenship and officials impregnated with the new and necessary concepts of public responsibility in a democracy, is largely accountable for the current evils, and all this has been aggravated by Japanese intrigue or invasion virtually since the founding of the Republic. More recently the civil strife has produced excessive living costs and mounting inflation, making it impossible for the great majority to subsist on their salaries. The lack of security is an influential factor. President Chiang Kai-shek complains that he has recently executed eleven offenders for graft without any apparent salutary effect on others. One is reminded of the French proverb, "To know all is to forgive all". There are also very specific plans for reform in these matters as well as in improving the people's livelihood as soon as greater stability can be secured. The personality of President Chiang, his inflexible and courageous determination, the purity of his personal and public behavior, and his prestige even now in the public mind, is an incalculable factor. He has the shortcomings of his training, tradition and temperament, but his continuing leadership is at once an evidence of his fitness for this and the greatest single reliance in the present troubled situation.

*b.* In a sense the popular criticism of the Government and the prevalent disaffection can be regarded as merely a symptom of the long-continued internal disorders. It may be somewhat discounted by the Chinese tendency to negative criticism in which they are adept. Ancient social patterns have hindered solidarity and discouraged individual efforts at reform. Democratic government will probably always be as bad as the people let it be and the true corrective for the nascent democracy in China is therefore an aroused, organized and articulate citizenship. Even the present struggle is in part the crude beginnings of this awakening.

*c.* Once peace has been restored and some assurance of stability, economic conditions ought rapidly to improve. The Chinese people have a marvelous recuperative capacity and need only to be not too seriously interfered with by the authorities. The Government has elaborate plans for improved rail, highway, air and water communication, new sources of power, agricultural and industrial development, etc.

*d.* As to anti-American trends I do not question the validity of Dr. Peffer's impressions. The reverse aspect of the national consciousness of the last few decades is anti-foreign feeling. This is latent in each individual and may at any time easily become passionately active in mass movements or in sullen personal attitudes, whenever one or another country furnishes the provocation. It is no imaginary danger in the case of our country and Dr. Peffer's testimony is a timely warning. In fact, I wonder if those who spoke with him were not—unconsciously perhaps—prompted by this intention. Almost all Chinese have turned to us so expectantly in their national distress that they can easily have the violent revulsion which so acute an observer has already sensed. As against this my personal experience has been just the reverse ever since my release from Japanese captivity in

August of last year. Both before my departure for the United States last November and since my return at the end of April I have never known such grateful appreciation of all that we have done and are continuing to attempt for China, nor such cordial friendliness. This is reflected in countless personal comments or letters, in newspaper editorials and in many subtle indications. If there is now a potential outburst of anti-American sentiment there is also a solid basis for strengthening the traditional good-will and the desire for close and lasting cooperation which have grown out of past relationships. But the situation calls for the most careful consideration of our policy and of the forms in which this will be expressed in the months that lie immediately ahead.

Respectfully yours,

J. LEIGHTON STUART

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893.00/10-1946 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 19, 1946.

[Received October 19—7:10 a.m.]

1702. Statement of Chinese Communist Central Committee on current negotiations as broadcast October 18 by Yen-an radio reads in full:

"The Chinese Communist Party has, since conclusion of anti-Japanese war, time and again made concessions to cooperate with Kmt<sup>95</sup> leader Chiang Kai-shek to strive for realization of peace and democracy within country.

In August last year Mao Tse Tung, Chairman of Chinese Communist Party, personally negotiated over 40 days in Chungking. The Communist Party made first concession of withdrawing Communist troops who had fought meritoriously against Japs from Chekiang, south Kiangsu, south Anhwei, south Hupeh and west Honan to obtain signing of Double Tenth agreement.<sup>96</sup> Unfortunately Chiang Kai-shek issued his 'bandit suppression' order the second day of publication of agreement after receiving American military aid. Tragic civil war then spread over country for 3 months.

Chinese Communist Party, however, continued its efforts for peace despite such bad faith of Chiang Kai-shek and American Govt. On January 10 this year, Kmt, Communist Party and United States signed cease fire order stipulating that all hostilities and troop movements throughout country should cease fire January 13, allowing Chiang Kai-shek to send five armies to Manchuria under condition of ceasing

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<sup>95</sup> Kuomintang.

<sup>96</sup> See summary of conversations between representatives of the National Government and the Chinese Communist Party, *United States Relations With China*, p. 577.



hostilities. This was second concession made by Chinese Communist Party.

On January 31, all major parties and groups and prominent social representatives unanimously passed five resolutions in political consultation conference. Communist Party made concessions for third time at conference, among which concession on question of old representatives to National Assembly was most important.

Meanwhile Kmt had already violated cease fire order in Manchuria, Jehol, Hupeh and Kwangtung and was continuing its military offensive. In Chungking there had occurred the wreckage of *New China Daily News* office and injuring of its personnel and breaking up of meeting celebrating PCC success at Chiao Chiang Kow by secret police.

Communist Party, however, again made concessions for fourth time. On February 25 it signed army reorganization agreement with Kmt and United States making concession for sake of compromise. Chiang Kai-shek's military attacks, troop movements and political reaction however only increased in intensity.

February second plenary session of CEC <sup>97</sup> openly demanded overthrowing of cease fire order, political consultation conference decisions and army reorganization agreement while American military aid to Chiang Kai-shek greatly exceeded that of Hurley <sup>98</sup> period.

Chinese Communist Party made concessions for fifth time on March 27 and agreed that Manchuria should preserve status of that date instead of January 13. Although this agreement was signed by Kmt, Communist Party and United States, it was thoroughly torn up by Kmt. Latter began large-scale offensive in Manchuria and United States simply looked on.

Communist Party made concessions on various questions for sixth time in June. Chiang Kai-shek, however, suddenly brought forth his five unreasonable demands through United States which reduced all negotiations to nought. After this, with continued United States large-scale aid Chiang Kai-shek's troops went on military rampage all over country.

In order to make concessions for seventh time, Chinese Communist Party agreed to participate in informal five man committee meeting about reorganization of govt. on condition of ensuring cessation of hostilities. This minimum condition was also rejected by Chiang Kai-shek and United States. Chiang Kai-shek's troops launched their attack on Kalgan. Reaching limit of endurance, Communist Party formally notified that if this attack was not halted it would

<sup>97</sup> Central Executive Committee.

<sup>98</sup> Maj. Gen. Patrick J. Hurley was in China, 1944-45, as President Roosevelt's Special Representative and as Ambassador.

indicate Chiang Kai-shek's determination for complete break. Reply from Chiang Kai-shek and United States was ultimatum setting October 10 as time limit for accepting Chiang Kai-shek's exorbitant demands.

Chinese Communist Party again made concessions for eighth time that it would participate in three man military talks and five man political talks and only demanded that Chiang Kai-shek call off the attack on Kalgan. This was eventually rejected by Chiang Kai-shek and United States and Chiang Kai-shek's troops occupied Kalgan on eleventh this month.

All this shows that what Chiang Kai-shek and U. S. are after is merely submission and extermination of Chinese democratic movement and maintenance of reactionary dictatorship betraying country. Military activities of Chiang Kai-shek and United States are designed for this aim and all their so-called political settlement and peace mediation interspersed to cover up military activities are also directed toward this end.

So long as they do not abandon this aim, each utmost concession of Communist Party will not only be unable to satisfy their craving but will instead be regarded as weakness of Chinese people which can be bullied. Encouraged they will instead want yard when given inch until they have forced Chinese Communist Party to betray all popular interests and have entirely exterminated Chinese democratic movement. That is why Chiang Kai-shek is attacking, conscripting, levying grain and tramping on national independence, democracy and livelihood of people throughout country and has himself ordered convention of so-called National Assembly while United States firmly refuses to withdraw her forces from China and cease aid to Chiang Kai-shek thereby showing that they have not least desire for peace and democracy.

Faced by such dark situation, entire nation hopes that Chinese Communist Party will uphold justice and save nation from catastrophe. The Chinese Communist Party swears that it will exert its powers to the utmost and fight to the end to fulfill hopes of people.

To again deceive people and attain his personal ambitions, Chiang Kai-shek has adopted pose of peace by declaring his eight points for peace on October 16. Communist Party holds that if only Chiang Kai-shek is willing to realize real effective peace under popular pressure, it is also willing to let bygones be bygones and again resume negotiations. But since solemn orders, promises and guarantees can be torn up at will during past 14 months, an agreement reached today can also become waste paper tomorrow. There may be five and eight demands today and 50 demands, 80 demands tomorrow. Chinese

Communist Party can no longer bear to see such shameless deception practiced on suffering people. The Communist Party has therefore only one demand—that faith be first of all restored.

What is sacred criterion of faith today? It is cease fire order signed by Chiang Kai-shek, Mao Tse Tung and Marshall on January 10 and political consultation conference resolutions unanimously passed by Chiang Kai-shek and PCC delegates on January 31.

To show its final greatest concession, Chinese Communist Party solemnly declares: If all negotiations are expected to attain actual results, sacred validity of cease fire agreements should be recognized, namely restoration of positions occupied by Kmt and Communist troops on January 13 should form criterion for all military talks, and implementation of all political consultation conference decisions should form criterion for all political talks. Communist Party holds that Chiang Kai-shek and Marshall should value their good faith and character. There cannot be least excuse for overthrowing sacred agreements signed by themselves. If only they show minimum demonstration of sincerity, Communist Party will surely continue to cooperate with them to utmost for real realization of peace and for real beginning of democracy. Communist Party believe that justice will triumph in the end. No matter what tribulations and tortuous paths have to be undergone, just endeavors of Chinese people to win peace and democracy will finally restore entire validity of cease fire order and political consultation conference decisions. We are willing to work together with entire nation for this end."

STUART

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Marshall Mission Files, Lot 54-D270

*Mr. Carsun Chang to General Marshall*

SHANGHAI, Oct[ober] 19, 1946.

MY DEAR GENERAL MARSHALL: Mr. Yeh Tu Yi has brought back the essential points of his conversation with you on the 17th, for which I wish to express my thanks. Hereunder I try to give you a rough summary of the development of situation and a brief review of the activities in Shanghai so far made.

1, First meeting was held in my residence on the 8th including Dr. Sun Fo,<sup>99</sup> General Chou En Lai, and the third parties. We decided therein to despatch a third parties' delegation to go to Nanking. Then in cooperation with the Kuomintang delegates, an invitation would be sent to General Chou asking him to go to Nanking.

2, Through Dr. Sun Fo, Generalissimo on the 10th welcomed us to proceed to Nanking.

<sup>99</sup> Son of Sun Yat-sen and President of the Chinese Legislative Yuan.



3, Capture of Kalgan and convocation order of National Assembly came in the night of the 11th, thus cancelling our trip to Nanking.

4, Mr. Lei Chen, representing the government, came to Shanghai on the 14th, and we third parties expressed two main ideas for him to bring back: 1, Fighting should be stopped first before engaging in political negotiations. 2, Government should despatch one or two delegates to come here again.

5, Messrs. Wu Tieh Cheng, Shao Li Tze, and Lei Chen came on the 17th, bringing here the Generalissimo's 8 points.

6, Yen-an statement was issued on the 18th.<sup>1</sup> It sounds very stiff, nevertheless it still does not shut the door of negotiations.

Thus the picture up to date. And I wish to express our ideas as follows:

1, We maintain our original standpoint of first stopping the fight.

2, A line of demarcation for the two opposing forces should be drawn, each side maintaining its existing region.

3, Then Executive Committee should be despatched to execute the details of cease fire order. For this there has been two agreements, the Jan. 10th, and the June 24th. The communists want to base upon the former agreement, arguing that the latter one has not been signed.

Whether we come to Nanking with or without an understanding concerning cessation of hostilities is still uncertain. Anyhow we are persuading General Chou En Lai to go back to Nanking. We know that you have done a great deal about the 8 points statement, and we appreciate it. Still we hope that these points shall not be considered as binding, though its spirit will naturally be adopted in the course of negotiations.

This letter is brought back by Mr. Yeh Tu Yi. He will get [in] touch with you before I come.

Yours faithfully,

CARSUN CHANG

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893.00/10-2046 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 20, 1946—3 p. m.

[Received October 20—4:25 a. m.]

1705. Chou En-lai has requested US plane in order return Nanking October 21. Request has been granted. Sun Fo, President of Legislative Yuan who has been aiding third party efforts in attempt to bring Chou back to Nanking, is confident that it will be possible to work out arrangements for general cease fire order as well as convening of the Three Man Military Committee and Five Man Informal Committee after Chou's return to Nanking.

STUART

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<sup>1</sup> See *supra*.

Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Dr. Wang Shih-chieh<sup>2</sup> at No. 5 Ning Hai Road, Nanking, October 20, 1946, 7 p.m.*

Also present: Colonel Caughey

Doctor Wang opened the meeting by informing General Marshall that General Chou En Lai and members of the third party had decided to return to Nanking on Monday. As far as he knew there was no new understanding except that the spirit of the conferences in Shanghai appeared to be such as to offer possibility of continued negotiations and therefore they all decided to return.

Doctor Wang stated that the Generalissimo's frame of mind at the moment was somewhat pessimistic due to the Yen-an broadcast on the 17th.<sup>3</sup> This broadcast was considered by the Generalissimo as abusive, over which he became infuriated.

Doctor Wang stated that there was one point in the Government's 8 proposals which he wished to have clarified. This concerned the third condition to the effect that the agreement reached in June concerning Manchuria should be put into effect. Doctor Wang asked General Marshall to explain this condition. General Marshall informed Doctor Wang that in June the relative dispositions of Government and Communist forces in Manchuria had been rather completely worked out and, although no agreement was signed, there seemed to be a meeting of minds concerning the right of the Government to establish in Harbin a symbolic force of 5,000 troops.

At this juncture, General Marshall read to Doctor Wang the so-called "Manchurian Annex" which had been prepared in June.<sup>4</sup>

Dr. Wang informed General Marshall that it was his opinion that the Manchurian situation was the most important matter at the present stage of negotiations; this must be settled immediately in order that other problems, which are actually of lesser importance, can be worked out. In this connection, Dr. Wang stated that he was very glad that the third condition had stressed the importance of settlement in Manchuria. Dr. Wang added that he had contemplated a visit to Manchuria in the next few weeks which he would probably have to cancel due to the fact that the members of the third party and General Chou were returning to Nanking.

Doctor Wang mentioned that he and Mister Butterworth<sup>5</sup> had recently discussed the MAG contract<sup>6</sup> and then asked General Mar-

<sup>2</sup> Chinese Minister for Foreign Affairs.

<sup>3</sup> See telegram No. 1702, October 19, from the Ambassador in China, p. 390.

<sup>4</sup> See draft of tentative agreement, vol. ix, p. 1240.

<sup>5</sup> W. Walton Butterworth, Minister-Counselor of Embassy in China.

<sup>6</sup> For correspondence on the Military Advisory Group, see pp. 810 ff.

shall whether he considered it politically advisable at this time to conclude the transaction. General Marshall replied that he would have to talk to Mister Butterworth and then discuss the matter again with Doctor Wang.

General Marshall informed Doctor Wang that Mister Liang, Democratic League, had recently informed him (General Marshall) that the dictatorial announcement by the Government for the 12 November National Assembly meeting date was considered by the third party as an extremely important aspect in the present negotiations. The third party, as well as the Communists, considered this announcement as an ultimatum. Doctor Wang attempted to dispel apprehension over this act on the part of the Government and then concluded the meeting by stating that he would devote all his efforts toward influencing the Generalissimo toward a peaceful settlement.

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Marshall Mission Files, Lot 54-D270

*Notes on Meeting Between General Marshall and General Yu Ta-wei at No. 5 Ning Hai Road, Nanking, October 21, 1946, 3 p.m.*

Also present: Colonel Caughey

General Yu Ta-wei opened the meeting by asking whether General Marshall had heard anything official from the Communists. General Marshall indicated that he had received no reply to the letter<sup>7</sup> containing the Government's 8 proposals which he had relayed to General Chou En-lai, but that he would let General Yu Ta-wei know when he had received an official reply.

General Marshall continued by stating there was a possibility that the Communists might object to his (General Marshall's) sitting on the Committee of Three, and that this might be the reason for their recent propaganda directed against him. General Marshall added that this propaganda might be the Communists' idea of how to obtain, in the United States, a popular reaction against U. S. attitude in relation to the Generalissimo. General Marshall stated that he had asked the Generalissimo not to rise in his defense on this matter. It was a matter for General Marshall to handle or the U. S. Government.

General Yu Ta-wei stated that negotiations (i. e., meeting of the Five Man and Three Man Committees) would probably have to wait until the Communists had agreed to the 8 points issued by the Government. To this, General Marshall indicated agreement and further stated that it would probably be best to let the third party members come to the fore in an effort to bring the two major parties together.

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<sup>7</sup> October 17, p. 380.



This procedure would operate toward establishing a firmer basis for subsequent negotiations.

To this, General Yu Ta-wei assented and told General Marshall he would keep him informed of any development and requested that General Marshall do the same.

General Yu Ta-wei said that General Hsu Yung Chang's sickness would preclude his being able to serve on the Committee of Three and that General Chen Cheng<sup>s</sup> would take his place. He added that he (General Yu Tai-wei) would assist General Chen Cheng.

893.00/10-2246 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 22, 1946—1 p. m.  
[Received October 22—10:30 p. m.]

1711. Minority party leaders, top Government representatives and others, having persuaded Chou En-lai to return to capital from Shanghai with them, President Chiang sent for me on morning of October 21, before leaving for Formosa, to define his policy as follows:

Having formally delivered his published communication of October 18 [16] through General Marshall and me to the Communist delegates, he indicated they should in like manner send a written reply. If favorable, the discussions should follow the procedure and be confined within the terms of his communication. Every encouragement should be given the minority parties to take an active share in preparation for and joining in the National Assembly.

Generalissimo's trip to Formosa had been long planned and his departure postponed one day in order to see Chou and minority party leaders, its coming at this time being purely a coincidence.

STUART

893.00/10-2246 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 22, 1946.  
[Received October 22—1:43 p. m.]

1712. Chen Chia-kang, Communist spokesman [at] Shanghai, issued following statement October 20 concerning return of General Chou En-lai to Nanking and Communist position in negotiations.

"Since the occupation of Kalgan and the issuance of the mandate for the National Assembly by the government on October 11, the door

<sup>s</sup> Chief of the Chinese General Staff.

of Peace Parley was already closed, and the prevention of a national split hangs merely by a hair. At this critical moment the mission of saving the country still rests on the Chinese ourselves. Besides the Kuomintang and the Communist Party, the other parties and non-Partisan representatives made separate attempts for seeking democracy and peace, which eventually brought a renewal of the peace negotiations. The informal talks held in Shanghai during the last 2 days are confined to a free exchange of views and exploration of the points of difference. No conclusion had been reached.

Now for a matter of convenience, the talks will be moved to Nanking on October 21. The Communist Party is as ready to save the country which is on the verge of a split as a man is ready to save his deathly sick mother. Whenever there is yet a last ray of hope, the Communists would be ready to do their utmost. But the key to success and failure as before still rests with the Government. The Communist Party is willing to join hands with the representatives of the other parties and non-partisans as well as the Chinese people in striving for this aim.

The Government representatives had in view of the actual circumstances held it difficult to accept the view expressed by the statement of the Central Committee of the Chinese Communist Party, that the cease fire order of January 10 and the restoration of positions as of January 13 should be taken as the criterion for all military discussions. With reference to this, I have the following points to make:

Point *a*. It is the view of the Communist Party that the cease fire order of January 10 should be taken as the basis for the forthcoming military discussions, which would automatically include the restoration of positions of both armies as of January 13. Should the cease fire order of January 10 be thrown overboard, then not only the Committee of Three, of which General Marshall is the chairman, but also the Peiping Executive Headquarters would lose their reference.

Point *b*. In accordance with article 4 and 5 of the Basis for Supplementary Agreement for Army Reorganization, which has been agreed upon by both parties in principle without being signed during the June armistice talks, in China proper position as of January 13, and in Manchuria positions as of June 7 should be restored. Thus it can be seen that even in accordance with June negotiation, the cease fire order of January 10 and the restoration of positions as of January 13 are still effective.

Point *c*. Whenever the Communist troops had occupied government controlled areas, the government would demand the withdrawal of the Communist troops. But now, when the government by completely defying the cease fire order of January 10, has occupied a great number of cities and villages in the liberated areas, it demands without any basis the continued occupation of these areas, while the Communist Party has every reason to demand the restoration of positions of both parties as of January 13.

With regard to the occupation of Kalgan, it must be pointed out that the issue was thrown open by the new offensive launched by the Government troops on September 29. General Marshall by advancing

the proposition of suspending the Kalgan drive for ten days merely attempted to force the Communists first to carry out the two conditions of the Government as of October 2. Thus the matter is too obvious to allow the Government to shirk its responsibility for the occupation of Kalgan nor could the whole affair be considered as closed."

STUART

Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall, Dr. Stuart, and Members of the Third Party Group at the Ambassador's Residence, Nanking, October 22, 1946, 10: 45 a. m.*

DEMOCRATIC LEAGUE

Lo Lung Chi  
Wang Yen Pi  
Chang Po Chun  
Liang Shu Men [*Ming*]  
Wu Chia Chu

YOUNG CHINA PARTY

Tseng Chen [*Chi*]  
Cheng [*Chen*] Chi Tien

NON-PARTY

Liao Yun Tchen  
Miao Yun Tai

DOCTOR STUART: I want to say how heartily General Marshall and I welcome all of you here this morning. We hope this will all lead to the results we desire. This morning we would like to hear from this group their advice and their impressions as to what the procedure would be to accomplish our purpose.

MISTER WANG: First, I would like to say that the Third Party includes the members of the Young China Party, Non-Party, and the Democratic League. We would like to pay our respect and thank Dr. Stuart and General Marshall in trying to bring peace to China. The Third Party members have tried to equal the efforts of General Marshall and Dr. Stuart here in Nanking. Today, I would like to present the high lights of our efforts made in Shanghai.

Ten days ago, it was the Third Party's original plan to persuade General Chou En-Lai of the Communist Delegation to come to Nanking. However, such a plan was stopped by the capture of Kalgan by the Government troops and also the announcement of the convocation of the National Assembly. However, the Third Party continued their efforts and also the Government sent their representatives Mr. Wu Te Chen, Mr. Shao Li Tse and Mr. Li Chiang [*Lei Chen*] to Shanghai. At that time the Generalissimo had made the eight-point statement. As soon as this statement was made public, we contacted the Communist Delegation in Shanghai and discussed the statement with them. The Third Party members found that the Communist Delegation thought that this eight-point statement was an ultimatum to force General Chou En-lai to come to Nanking. However, the Third Party members explained that the eight-point statement was not an



ultimatum at all. Also, Mr. Wu Te Chen and Mr. Shao Li Tse explained that the eight-point statement is by no means a prerequisite for the cease fire—it merely serves as a basis for discussion.

At that time Yen-an also made a broadcast. This broadcast contained two essential points. However, the Third Party members felt that both sides at the present time should disregard these two points of the Communist Party and the eight points of the Government. The first was that it was necessary to decide on a procedure as to how to achieve the purpose—whether the first thing is that we should achieve the cease fire. However, before a cease-fire can be obtained, there are many questions that must first be discussed. Therefore, the Third Party members suggested that first we discuss the matters pertaining to a cease fire, then obtain an actual cease fire and after that discuss the other issues. To this point the Communist Delegation has agreed.

Speaking about the cease fire, of course we hope a total cessation of hostilities will be effected on all fronts. In order to obtain a speedy cessation of hostilities, the best way is to hold the positions both sides occupy as of today. Therefore, there should be a total cessation of hostilities and the troops should be held where they are now. This, of course, is different from Yen-an's broadcast that the troops should be returned to their original position as of January 13th. The Third Party members have spoken to General Chou many times trying to convince him that in order to obtain a speedy cessation of hostilities, the troops must be held at places where they are now. General Chou did not express his agreement to that point—neither did he express objection.

Another point is in regard to political matters. The political and military affairs cannot be handled separately. The political affairs should be dealt with according to the resolutions of the PCC. This procedure should be that the Steering Committee of the PCC should follow the resolutions of the PCC to handle the problems of the reorganization of the Government and also the National Assembly. If we follow the resolutions of the PCC, then the Communist Delegation would automatically hand out their name list for the National Assembly. Therefore, we say that if we can proceed in dealing with the political issues according to the procedure set up by the PCC, then the eight points in the Generalissimo's statement would be automatically accomplished.

The above is not only the feeling of the Third Party members, but also shared by the three Government representatives. They also recognize that this is a correct procedure. Therefore, in Shanghai the atmosphere was very friendly and optimistic. Finally, the Government representative rose up and said, "Since we all agree, why don't

we all go to Nanking?" Therefore, the Third Party members all decided that they should make a trip to Nanking. General Chou En-lai was aroused by the spirit and said that he would also come to Nanking.

Does anybody else have any statements to make?

MR. LO LUNG CHI: Mr. Wang has gone over the outline of the developments in Shanghai. Of course we have discussed in detail many questions and maybe there are some specific points General Marshall and Dr. Stuart would like to ask questions about.

DR. STUART: We both feel extremely encouraged and gratified that this third group has been so active and has accomplished so much. It begins to look extremely hopeful. We are especially pleased that this latest effort is so completely under the leadership of Chinese; we Americans would want to help whenever wanted. I think all of you fully realize the American Government and the American people (General Marshall and I acting for them) want to see China free, united, peaceful, and prosperous. We have no special interest in any one party or any special system of Government. We naturally support the general principles of democracy because it is the American system, but chiefly because the Chinese themselves have so unitedly and enthusiastically determined to adopt that system. But the procedure is, of course, according to Chinese conditions and the desires of the Chinese people. We want to help, but we do not want to interfere. There has been a good deal of misunderstanding as to American help to the Government. General Marshall has explained many times how slight that help has been and the circumstances of how it came about. I do not think it is necessary to [go] into that again, but let me say once more all that America has done and has planned to do is for the whole of China, a united Chinese Republic.

So, we shall watch your activities with our heartiest sympathy, good will, and readiness to do our part when the occasion comes.

GENERAL MARSHALL: I would like to ask a question. I gathered the impression from your statement that the Government members had agreed or acquiesced to the procedure you gentlemen proposed; that is, a discussion of the cease fire, then the issuance of the actual cease fire order, and then thereafter the discussion of the Communist points and the discussion of the Generalissimo's 8 points. Did the Government members agree or simply acquiesce to that procedure?

MR. LO LUNG CHI: I wish to explain this point. In a sense the Government agreed and in a sense not. At Shanghai we proposed the procedure of discussing the problem first and then cease fire, and then talk. That formula was agreed upon by the Government, but whether the 8 conditions should be accepted as a basis for discussion by the Communists, was not settled. As Mister Wang explained, the

third parties prefer to leave all the proposals and counter-proposals out and discuss the problem and find ways to a solution. But the Government insists that the Communists should accept the 8 conditions first as a prerequisite to discussions of cease fire order.

GENERAL MARSHALL: That is what I tried to find out.

MISTER LO LUNG CHI: We had, last night, with the Government an informal exchange of views at Doctor Soong's house, but that point, even among Government delegates, is not agreed upon. Mister Chang Li Sheng, Minister of Interior, rather emphasizes the formalities, especially after the statement by Yen-an and by two Communist members in denying that the Communists did accept the 8 conditions. So that is one of the problems to solve. The Government insists upon the Communists accepting 8 conditions and that will form a basis of discussion for the issuance of an order of cease fire. But the third parties tried to determine what convinced the Government to do that. Mr. Wang said that was just like an ultimatum given by a dictatorial government and the Communists will not come to terms on such a formula. The Communists have expressed no strong opposition to the conditions. Some of the articles the Communists would be glad to have and had proposed, but the approach to these terms is not satisfactory. It was, "I give you these terms; agree or not. If so, we can proceed to discuss. Otherwise we go ahead." The Communists cannot accept that attitude.

GENERAL MARSHALL: It seems to me there are still a few misunderstandings. An issue that I have encountered all along is, "What must be done to permit the issuance of a cease fire order?" The Communists for a long time, certainly since May and the recovery of Changchun by the Government, have held out for an unconditional cessation of hostilities, meaning of course at that time, January 13th, about which there was little discussion at that time because the situation in North China had not changed. The Government reluctance or refusal was based on Government insistence that there be certain conditions precedent to be fulfilled before they would agree to cessation of hostilities. So the struggle has been to secure either Communists' agreement to those conditions precedent and to reduce the conditions precedent to the smallest number possible.

The issue, as I now understand it, is that if certain things were agreed to by the Communists, then the Government was willing to go ahead with the cessation of hostilities. For a time the complete stumbling block was the question of local government in Kiangsu, and later there was introduced the question of the announcement of delegates to the National Assembly.

The confusion in the matter, having listened to you gentlemen this morning, in my mind is this: Whether or not the Government agrees



to the cessation of hostilities to be followed by the discussion of the 8 points and the Communist points or of any other points, or whether the Government insists on an agreement to the 8 points as a condition precedent to the cessation of hostilities.

Dr. Lo mentioned that there was a confusion, a misunderstanding. I think, as a matter of fact, that this misunderstanding is of little importance if understood. I have not understood at all from my discussions with Government representatives and the Generalissimo that there was to be a limitation on the matters to be discussed. What Dr. Stuart and I were struggling for was the termination of hostilities. There were certain of the Government's 8 points which the Communists themselves would insist on including. I will illustrate that. The Government insisted upon the Communists announcing their delegates to the National Assembly and, of course, this then was directly related to that matter, the reconvening of the Constitutional Draft Committee and the status of the draft before the National Assembly. Therefore, that particular one of the 8 points is certainly not a term of capitulation or surrender but is an admission, an agreement, by the Government which the Communists would undoubtedly insist upon.

Also, one of the 8 points refers to the matter of local government in North China or in China Proper. Kiangsu had been a stumbling block. The Communists' insistence was that Kiangsu local government should be settled by political discussion in a reorganized government. That portion of the 8 points is a Government admission, or an agreement, to that procedure. In other words, of the 8 points a portion is concession, a portion is a demand, and several points presumably are not even in debate. So it is a proposal tempered by compromise and agreement to Communist contentions on one side along with Government contentions on the other, and includes several issues, communications for example, on which agreement had already been reached.

Another point refers to the confirmation by the Steering Committee of the PCC of whatever agreement was reached by the Five Man Group. That was not a Government demand; that was a Government agreement to an insistence of General Chou En Lai. General Chou was unwilling to consider any Five Man Group proposal unless whatever it did was to be confirmed or refused by the Steering Committee of the PCC.

Finally a misunderstanding, as I now see it, is in the matter of the restriction of the discussion to the 8 points only. That was not my understanding at all. General Chou was searching for a basis for terminating hostilities as quickly as possible, and the Government in effect said it would agree to the termination provided certain things

were agreed to, not that those were the only things to be agreed to but that there were certain things that must be agreed to. In stating those conditions, the Government has carefully also stated certain conditions that General Chou had made so that there could be no question that the Government would not go through with those points which General Chou, for the Communists, had insisted upon.

To summarize, the 8 points are part Government requirements, part Communist requirements, and part matters they had already agreed to. I do not think there is any limitation in discussion of the matters which pertain to the whole organization of the Government and finally the discussion of the Constitution in the National Assembly. Whether or not the Government, through its representatives in Shanghai, had agreed to a cessation of hostilities and then to a discussion of the 8 points, is a matter of great interest to me because that, in a sense, is the kernel of the whole issue at the present time. I think, as I have often said before but never, I think, really impressed upon anybody, that the trouble you gentlemen face now in reaching an understanding of what is written or said, is the complete distrust of the motives of both sides. Of course that is more glaringly apparent to me because time after time I will propose something and I find a very evil purpose is suspected when, in all probability, it is my proposal and accepted by one side unwillingly and that side is suspect of a deadly purpose. That goes on and goes on no matter with which side we are dealing.

I think the hope of the situation rests almost entirely on whether or not you gentlemen can get a clear perspective of what is involved here; a perspective that is as remote as possible from any prejudice and suspicion, and then try to convince the two sides accordingly.

MISTER LO: There are many points I would like to explain in detail, but the time is not sufficient this morning. I quite agree with you and I think that all Third Party leaders think the contents of the eight conditions are not bad. The question is how to approach it—if the Government insists upon taking the eight conditions as a prerequisite before the cessation of hostilities, then the Communists will not accept that. There is a matter of face there. There are quite a number of arguments offered by the Communists. For instance, the question of the communications agreement was brought up. General Chou stated that it had been agreed to in June, but not signed.

GENERAL MARSHALL: That is correct.

MISTER LO: There came up the question of all the June agreements and they involved the January 13th and June 7th position of forces as a basis for agreement. General Chou said you only used the part of the agreement to your advantage and not the articles concerning the January 13th and June 7th positions which the Communists de-

sired. We immediately saw the difficulty there. The Communists quite agree that the position of authority of the American in the field team should be strengthened, but if the Government takes that alone from the June agreement, then the Communists say, "No". The whole agreement must be adopted.

I would like to go over all these points in detail with General Marshall and Dr. Stuart. I think perhaps this morning some of the other members might have something they would like to talk about. I know Mr. Carsun Chang and Mr. Chen, the manager of the *Ta Kung Pao*, who were participants in the Shanghai talks wish to discuss in detail with you two gentlemen the various issues.

MISTER MIAO (Non-Party): The purpose of the Third Party members in coming here today is mainly to pay a visit to Dr. Stuart and Gen. Marshall. We deeply respect the efforts General Marshall and Dr. Stuart have made in the past in mediating for peace. Secondly, we want to report to you two gentlemen the happenings in Shanghai which have already been outlined by Mr. Wang. The Third Party members are members of the Democratic League, Young China Party and Non-Party members (of which I am one). This group of people do not have military strength. Our effort is how to achieve peace for China and stop the hostilities. This Third Party is purely Chinese and Dr. Stuart and General Marshall also form a Third Party.

Therefore, if we can incorporate the Chinese Third Party and the American Third Party, both here and overseas, we can form into a much larger Third Party group and jointly we can make our efforts in obtaining peace and democracy for China. That is my idea.

What I have said is purely an abstract idea. However, listening to the statements by the speakers this morning, it is learned that all the efforts in the past have come to naught. This can be attributed largely to the lack of trust and mutual fear. The Third Party feels that its mission is how to overcome such mistrust and fear. If the Chinese Third Party and the international Third Party (meaning General Marshall and Dr. Stuart) can give assurance to either side when that side has fears and can assure them of their guarantee, then the difficulties just spoken of by General Marshall regarding the fear and mutual distrust may be overcome.

MR. CHUN [*Chen?*]: The purpose of the Third Party in coming to Nanking this time is the feeling of responsibility in solving the problem for China. This responsibility is to be shared by all political parties in China. Also the Kuomintang and the Communist Party have expressed their hope that the Third Party members would actively participate in the present situation.

The last time I spoke to Dr. Stuart I mentioned that he and General Marshall are the international Third Party and we are the



Chinese Third Party. We should mediate in this situation without any partialities. The Third Party of China is a group without any military strength. The Kuomintang and the CCP<sup>\*</sup> have armies as their background, but the Third Party has the China people as its background. The people of China want peace. We hope General Marshall and Dr. Stuart will consider our opinions and ideas and that liaisons should be established between the Chinese Third Party and the international Third Party, which means Dr. Stuart and General Marshall. If this can be achieved, the present situation can be solved much easier.

MR. CHUNG [*Tseng?*]: We admire the efforts of Dr. Stuart and General Marshall very much. We feel that the present peace problem for China demands a speedy solution, which must be dealt with by informal meetings proceeding to the formal meetings. These informal meetings are to be held before the cessation of hostilities and then the formal meetings will be held after the actual cease firing. In this informal meeting, two essential points must be mutually understood. One, matters pertaining to the military situation, and two, matters pertaining to the political issues. These two points can be dealt with by using the Government contention and the Communist contention as references in order to lead to agreements. If these two points can be mutually understood, then we could have a solution for a real cessation of hostilities. These two points are inter-related. If we have mutual understanding on the military issues without mutual understanding on the political issues, then we cannot have a satisfactory solution. Today we have offered our ideas of the negotiating procedure to Dr. Stuart and General Marshall. This procedure will be a very important issue.

MR. LIANG: (Interpreted by Mr. Lo Lung Chi) I would like to add a few words to what Mr. Chung has said. The last time I called on General Marshall he said if the Communists would agree to the eight points, then, within one or two hours, a solution could be reached for the cessation of fighting. I would like to suggest that the two sides lay their proposals on the table and the Third Party could consider them and arrange some sort of fair bargain.

We wanted the informal discussions to precede the formal discussions. The Third Party has no opportunity to participate in the Committee of Three, though we all participate in the Steering Committee of the PCC. We must have all the demands of both sides in order to reach a mutual understanding and then we can go into the formal meeting and solve the questions more easily. That is the purpose of the informal discussions—to promote mutual understanding.

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\* Chinese Communist Party.

At the present time, the China Third Party really is acting as a go-between carrying the opinion of one side to the other and then trying to find out the aspects of the situation that would be agreeable to the other side. That is where the Chinese Third Party needs the help of the American mediators. If these two can work together in close co-operation, then we think that a solution possibly can be reached. That is what we want to explain this morning.

DR. STUART: I would like to make two points. One, all the people of China want peace as soon as possible. If it is purely a matter of procedure, then somehow the procedure will be worked out. Two, the substance of what General Marshall was calling attention to is that the procedure itself is not easy. The difficulties are very real, very great. The distrust, suspicions and fears on both sides are important elements in this problem. There is the question of face and feelings which have to be taken into consideration. So, we Americans look to the Chinese Third Party group to help actively, as we believe you are going to, and we will do our utmost to cooperate with you. The object of our discussion is of such tremendous importance and so urgent that we must find a workable solution that both sides will accept.

(The meeting was adjourned.)

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Dr. Carsun Chang  
at No. 5 Ning Hai Road, Nanking, October 22, 1946, 5 p.m.*

Also present: Col. Caughey

Dr. Chang opened the meeting by outlining the various meetings that were held in Shanghai between the third party members, Government representatives, and General Chou. Dr. Chang reported the Communists now feel that they have been defeated and that acceptance of the Government's eight-point proposal is comparable to accepting a surrender. Dr. Chang mentioned that two of the eight points are contrary to PCC resolutions and that these were: (1) A proposal is included for the Communists to submit lists of National Assembly members concurrent with promulgation of cessation of hostilities. PCC resolutions contemplate submission of this list to a reorganized Government and not to any present political regime; (2) The question of excluding Manchuria in discussions of the local government question is out of line in that the PCC resolutions contemplate a discussion of local government in all of China. Dr. Chang added that these points probably were not important but they were contrary to the PCC resolutions.

General Marshall then briefly outlined the developments in the meeting which he had had with the third party members in Dr. Stuart's residence this morning. During this meeting it became apparent that the Communists' principal concern rested in the fact that some of the points in Government's proposals were adopted out of the June agreements (which are not signed) but that not all points were adopted. The Communists now take the attitude that they cannot agree to parts of those agreements without reviving all of the agreements. General Marshall continued by outlining the difficulties he had had with the Generalissimo in getting him to issue his eight-point statement and then told Dr. Chang that approximately half of those points were concessions on the part of the Government to meet what were known to be points which the Communists would insist be included in any statement. General Marshall explained that it was, therefore, a great disappointment to him that General Chou had objected to these eight points just because all the June agreements were not included, since what he (General Marshall) had tried to do was salvage from the June agreements those parts which were still applicable.

Dr. Chang said that the loss of Kalgan to the Communists would probably mean that the Communists would not now under any circumstances give up Harbin. The Communists further argue that if the June agreements are taken as a whole then the January 13th positions in North China would obtain and the Government would have to give back Kalgan to the Communists, in which case the Communists would probably then be willing to give up Harbin to the Nationalists. General Marshall stated that he was seriously concerned over this particular aspect of the situation and felt that this could very likely be the basis of a breakdown in negotiations and development of war in Manchuria.

Dr. Chang then said that his idea for proceeding with negotiations was to have an informal talk first, then to proceed with the all-important question of arranging for the cessation of hostilities, after which there would be a general discussion of any outstanding points. General Marshall concurred in this procedure and then assured Dr. Chang that discussion on any other points would not be limited in any respect and that that wasn't the intention of the Government's proposal.



Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Mr. Hu Lin*<sup>10</sup>  
*at No. 5 Ning Hai Road, Nanking, October 22, 1946, 6 p.m.*

Also present: Dr. Stuart  
Col. Caughey

Mr. Hu opened the meeting by indicating his gratefulness, and that of the Chinese people, for General Marshall's efforts in bringing peace to China. He said the Third Party is now exerting their effort toward assisting the American mediators attain that peace. Mr. Hu stated that he had been in newspaper work for 35 years without participating in politics, but that since his return from the San Francisco Conference, and because of appeals from various Chinese individuals, he had taken active interest in helping to resolve the present situation.

Mr. Hu stated that the solution of the present problem was faced with unusual difficulties in that fighting had been going on in China for 20 years. Another difficulty in the way of the present negotiations arises from the fact that both the Kmt and the Communists got their origin in Russia; the spirit and technique of both are similar and both had been formed as a result of revolutionary development, which, of course, left both motivated by destructive, rather than constructive, impulses. Mr. Hu stated that the Third Party had now come into being as a consolidated force in an effort to act as a neutralizing buffer between the Kuomintang and Communists in order that a peaceful solution could be obtained.

Mr. Hu stated that for the past several days, he had been dealing with Communist and Government leaders in Shanghai and he believed the objectives of both parties were quite close; however, he added that a lack of trust, a deep suspicion, and an imagined fear of the other side, kept the two apart. This is where the Third Party comes in, in that it can guarantee fair treatment. Mr. Hu stated that the Third Party favors giving the Communists an opportunity to try out in various selected areas their idea of democracy. He said that this would probably be good for the country in that the desire of both sides for a continuation of aggressive action might subside if some territorial division could be made.

General Marshall agreed with Mr. Hu that suspicion is the root of most of the difficulties. In view of this, and because he felt it necessary for the Third Party to actively participate under the leadership of persons like himself (Mr. Hu) and other non-party men of high standing in China, he felt it was necessary to take Mr. Hu into

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<sup>10</sup> Editor, *Ta Kung Pao*.

his confidence in order that he would have a firm understanding of the entire situation. General Marshall continued by outlining the development of the Five Man Group under chairmanship of Dr. Stuart which he had proposed. It had been most difficult to get the Generalissimo to accept this idea and then when he had accepted it as a concession to the Communists, the Communists greeted the proposal with deep suspicion. When the Communists reacted in this fashion, then the Government made an issue over the fact that the Communists had refused.

General Marshall then outlined his efforts to halt the advance on Kalgan. After having arranged this with the Generalissimo, again as a concession by the Government to the Communists, the Communists then adopted the attitude that this truce had been designed by the Government for the sole purpose of permitting reinforcement and resupply of Government troops. As a matter of fact, the Government thought that the Communists would use the truce period for reinforcing its forces, and it was for that reason that General Marshall had incorporated into the proposed truce agreement the idea that Executive Headquarters field teams could control the situation around Kalgan during the truce period.

The most recent example of suspicion, General Marshall continued, concerns the Government's eight-point statement to the Communists. Actually, approximately half of the eight points are concessions on the part of the Government to meet what were known to be Communist desires in connection with any continuation of negotiations. The Communists now refuse the eight points entirely on the superficial grounds that they cannot accept parts of the agreements tentatively reached in June without acceptance of all tentative agreements reached in June, and because the eight points are "too limited". It was tentatively agreed in June that Nationalist forces could establish symbolic forces in Harbin. General Marshall added that this was probably the major issue in the Communist attitude at the present moment since they would probably not agree to National garrisoning of Harbin unless the Government gave up Kalgan to the Communists.

Since the Communists have turned down the Government's eight points, General Marshall continued, the Government now takes the attitude that their initial contention, that the Communists would abide by none of the agreements reached, is proven in fact. In this connection, the Government cites the Communist capture of Changchun, their failure to submit military lists required by the 25 February agreement, and violation of the 7 June truce agreement in Shantung Province. General Marshall stated that the hope in the present situation was an outstanding group of Third Party members under the leadership of a good steering committee.

General Marshall continued that another serious factor in the problem now is that the Communists are basing all of their logic on their own propaganda. Even General Chou En-lai is swayed by the Communist propaganda and the Communist forces in the field are so wrought up over anti-Americanism that it makes it practically impossible for Executive Headquarters to carry out its function. This propaganda also has the effect of stirring up the high leaders on both sides to the point where negotiations are virtually hopeless.

General Marshall referred to his four weeks trip to Washington in order to arrange for loans and legislation which he hoped would be beneficial to China. Even while he was in Washington, the various leaders began agitating in the press and in the field to such an extent that the United States stopped a great portion of this assistance due to the confused conditions in China.

General Marshall referred to the surplus property transaction and told Mr. Hu that he had never discussed this matter with the Generalissimo or Government representatives except Dr. T. V. Soong, and with him only concerning the percentage of costs which the Chinese Government would have to bear in the transaction. The Chinese Government could have signed such an agreement as early as January of 1946, but it always waited for a more advantageous percentage rate, delaying until it was necessary in August to accept the transaction or to drop it entirely. The Communists now are using the surplus property transaction as a theme in their propaganda as a direct contributing factor in the present war. This is not the case, as shown by the fact that it was not used by General Marshall as an instrument in the negotiations, and also by the fact that the property, which incidentally does not include munitions, cannot be made available to the National Government for months to come. This is on account of the shipping and reconditioning factors involved.

General Marshall then suggested that Mr. Hu might be able to break down this particular theme of propaganda through judicious application and treatment of this subject in his paper. General Marshall stressed that his concern in the surplus property transaction was to help the people of China—not any political party—in avoiding economic collapse which was bound to occur if some rational development in thinking did not soon occur.

General Marshall then told Mr. Hu that the Generalissimo's trip to Formosa had nothing to do with the current negotiations. The Generalissimo had planned the Formosa trip for a long time, had even cancelled it, but reinstated it due to the reaction of the Formosans. The Generalissimo did not know that General Chou was planning to return to Nanking, and when this fact was made known to him, the Generalissimo cancelled again, for 24 hours, his trip in



order that he could see General Chou. General Marshall concluded by saying that the Generalissimo planned to come back to Nanking in a few days.

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Marshall Mission Files, Lot 54-D270

*Counterproposals by the Chinese Communist Party*

[NANKING,] October 22, 1946.

I. *Political*

1. State Council must allocate fourteen seats to Communist Party and Democratic League.
2. The reorganization of the Government should include the Executive Yuan as well as the State Council.
3. The draft of the Constitution as fixed by the PCC Committee should not be altered in principle.
4. The National Assembly should be postponed.
5. The number of delegates to the National Assembly should be increased.
6. The names of Communist Party delegates should be announced after the reorganization of the Government.
7. The treatment of local administration should be the same in Manchuria as within the Great Wall.

II. *Military*

1. The adjustment of military occupation and local administration creates a problem for the Government.
2. Has the Government further territorial demands (e. g. Harbin) ?
3. Does the Government intend to recover additional regions in Manchuria ?
4. Areas now controlled by the Government, but not advantageous, do they still insist on holding ?

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893.00/10-2446 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 24, 1946.

[Received October 23—11:45 p. m.]

1719. Minister of Information on October 23 said he was approached October 22 by representatives of third parties with request that he negotiate and agree to propaganda truce. He stated his reply was that since any comparison of Yen'an publications with Kmt papers will reveal Government maintains a restrained attitude during present situation whereas Communists continually and vituperatively attack

Government. There is therefore no need for Government to negotiate truce.

STUART

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893.00/10-2446 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, [October 24, 1946.]

[Received October 24—12:25 a. m.]

1720. Minister of Information press conference October 23 made following statement:

"President Chiang issued his eight point statement on October 16 in a spirit of frank amity and moderation. But the next day Yen-an broadcast a violently vituperative reply so lacking in the minimum considerations of courtesy and decency, that the Government would have been justified in breaking off negotiations. But on hearing that the delegates in Shanghai had decided to come to Nanking, the Government ignored it. Then on October 20 and 22, the Communist spokesman issued successively aggressive statements which did not fail to have adverse effects on the negotiations.

Yesterday the independents and other party leaders, at a tea party, expressed the wish that the Government leave these statements unanswered. The Government, to show how highly it values this suggestion, will refrain today from discussing the issues of the present time.

I can, however, emphasize one point: the eight point statement of President Chiang, apart from new concessions, did not contain any new request. It is sincere expression of the Government's intention and it is the only way to realization of the cessation of hostilities."

STUART

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893.00/10-2446 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 24, 1946—5 p.m.

[Received October 24—7:25 a.m.]

1732. Summary Military Attaché report for week October 14 through 21. ReEmbtel 1555, September 27.<sup>11</sup>

In Manchuria Nationalist New First Army 30th Division drive toward Tunghua continued. Following capture of Chinghuan, Huinan and Liuho, Nationalist columns reported moving generally southward indicating possible offensive against Antung.

Nationalist column believed composed elements new First Army's 38th Division moving east from Kirin occupied Lafa on October 14.

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<sup>11</sup> *Ante*, p. 231.

Communist reinforcements have been reported moving to the Chiaoho-Tunghua areas from the northeast and press reports also indicate Communist reinforcement of Taolaichao facing Nationalist Govt Sungari River bridgehead.

In Hopei Communist forces continue threaten Paoting with continuation of strikes along Pinghan <sup>12</sup> Railroad between Liuliho and Yuanshin.

In Chahar following fall of Huailai and Kalgan, Peiping-Kalgan section of Pingsui <sup>13</sup> railroad has been cleared. Nationalist forces occupied Tolun on October 13. In Chahar area press reports indicate gradual withdrawal Communist forces to areas north of Great Wall.

In Kiaotsi <sup>14</sup> Government forces occupied Fungtai on October 15 and Communist Hsinghua and Shuyang now serve as screen for withdrawal of Communist forces into southern Shantung.

In Shantung Nationalist forces in control entire length Kiaotsi railway but rail line not in effective operation and Kaomi is reported under Communist counterattacks.

In Honan and Shansi steady Government military progress is reported.

Since National Govt's primary military objective is to gain effective control material lines of communications, an operation against Yen-an would be of little immediate value because of North Shensi's lack of railroad and good highways. It is possible, however, that such an operation may be undertaken for its political and psychological effect and further to split Communist-held areas.

STUART

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall, General Chen Cheng, and General Yu Ta-wei at No. 5 Ning Hai Road, Nanking, October 24, 1946, 10:30 a. m.*

Also present: Col. Caughey

General Chen Cheng opened the meeting by asking General Marshall if he had heard from General Chou En-lai concerning the Government's eight proposals. General Marshall replied that he had not but, through Dr. Stuart, he had received a copy of what were supposed to be the 11 points, or questions, raised by the Communists.<sup>15</sup>

General Marshall stated that he had been more or less forced to withdraw from negotiations since the Communist Party is of the

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<sup>12</sup> Peiping-Hankow.

<sup>13</sup> Peiping-Kweisui.

<sup>14</sup> Kiaochow-(Tsingtao-)Tsinan.

<sup>15</sup> Communist counterproposals of October 22, p. 412.



firm belief that he is backing the National Government. This is not so in Dr. Stuart's case, nonetheless both he and Dr. Stuart are sitting on the sidelines at the moment. The third party group in the meantime is attempting to seek, as a neutral buffer element between the Communists and Nationalists, a solution from the existing confusing situation. General Marshall continued by stating that he gathered from the talk he had had with the third party members that the Communists' real reason for objecting to the fact that certain of the tentative June agreements were brought forth in the Government's eight proposals, whereas certain other of the tentative June agreements were omitted (such as adhering to military positions as of 13 January and 7 June), was based on the fact that the Communists probably would not now agree to establishing in Harbin a symbolic force of 5,000 troops and, at the same time, permit the Government to retain Kalgan which, according to the tentative June agreements, was to have been retained by the Communists. In other words, the real issue concerns an adjustment with respect to Harbin and Kalgan. General Marshall reiterated that the great hope in the present negotiations is the participation of the third party, and he hoped that the National Government representatives would receive this group wholeheartedly and graciously in an effort to find some peaceful solution.

General Chen Cheng agreed that the third party group was the big hope at the moment but he stated that its effectiveness had not yet been proven. On top of this, his study of recent Yen-an broadcasts would indicate that the Communist Party was not in a frame of mind conducive for a peaceful settlement. He added that this attitude had continued for several months. At the outset of negotiations the Communists had initially refused to submit the list of troops, which they desired to be retained in the reorganized army, in accordance with the 25 February reorganization agreement. He stated that, if that agreement could not be put into force, discussion on all other issues, whether it be political or military, is so much idle talk.

General Chen Cheng stated that he had gone to Peiping not long ago for the purpose of issuing the necessary instructions to the various military commanders to put into effect the 10-day Kalgan truce. He stated that he had with him a 19-page confidential letter from the Generalissimo which indicated specific instructions that were to be followed. The major points of this letter were that all efforts would be made to abide by a temporary truce; that the attitude on the part of the Nationalist forces would be purely defensive; and that advances on Kalgan would cease, with the exception of taking over by the Nationalist forces of the northern section of the Peiping-Hankow

railroad. General Chen Cheng said that this conference came to naught in view of the Communists' refusal to accept the 10-day truce.

General Chen Cheng stated that the third party was going to have difficulty in resolving the major issues as is evidenced by the letter containing the seven political and four military points issued by the Communists. (General Yu Ta Wei submitted a Chinese text of the 11 points which is attached hereto.) General Chen Cheng then informed General Marshall that the Generalissimo probably would not be back from Formosa until the 31st of October since that was the date upon which he is to officially celebrate his birthday.

General Marshall told General Chen Cheng that the Generalissimo had told him he would be back from Formosa in a few days or would return upon four hours notice from General Marshall. General Marshall stated that a protracted stay in Formosa on the part of the Generalissimo would have a direct bearing on the negotiations and would appear to the outside world that the Generalissimo was deliberately avoiding negotiations.

General Marshall stated that the reorganization of the armed forces was the basic factor in the present negotiations. General Marshall remarked that the present Government attitude regarding the February 25th agreement was unrealistic wherein it attempted to locate only Communist forces whereas the 25 February agreement required the location of both Nationalist and Communist forces. To do otherwise would lead to fear on the part of the Communists that their forces would be to [so?] isolated to facilitate subsequent liquidation by Government forces.

General Chen Cheng stated that he had not had much experience in negotiating but did believe that the reorganization of the armed forces was the crux of the present situation. He stated that, based on the 25 February agreement, 59 Government armies had already been reduced to a division status. Thirty-one armies had yet to be reorganized into divisions, but these armies were the ones in North China and Manchuria which the Government could not reduce due to the present military situation in those areas. Aside from the fact that this demobilization was contemplated in the 25 February agreement, it was also an economic measure in order to try to avoid a financial situation which the Government could not support.

At this point Dr. Stuart entered the meeting.

General Yu Ta Wei stated that he had received a telegram from the Generalissimo in which the Generalissimo firmly holds to the third of the eight points in the Government's proposal which concerns the adjustment of her military situation in Manchuria in accordance with tentative agreements reached in June. The Generalissimo also insisted that the Communist troops in Antung and Tunghua be with-

drawn within 15 days after a cease fire order is issued and move north of the Sungari River within one month, and that redeployment of Communist troops in accordance with the tentatively agreed plan in June be completed by the end of one year. General Marshall asked if the Government thought it was logistically possible for the Communists to meet this schedule and General Chen Cheng answered that he thought so. General Marshall then asked whether the Generalissimo meant "all" Communist troops in Manchuria were to move north of the Sungari River or whether he meant just Communist forces in Antung and Tunghua. General Chen Cheng was not certain but said that he would check.

General Marshall then asked Dr. Stuart to recite the results of his meeting with General Chou (Dr. Stuart did so in Chinese at the request of General Yu Ta Wei. The gist of Dr. Stuart's comments however pertained to the fact that the Communists could not accept the Government's eight points). General Marshall stated that at the present time neither the Three Man Committee or the Five Man Committee could meet until the third party had an opportunity to try to work out some of the differences between the Government and the Communist Party.

General Marshall again mentioned, and Dr. Stuart agreed, that a protracted delay by the Generalissimo would be construed as a definite action to prevent successful culmination of present negotiations.

General Marshall asked General Chen Cheng what harm would result if the Marines were withdrawn. General Chen Cheng replied that the immediate reaction probably would be insignificant but that the overall effect, from a world security viewpoint, would have great implications since it would be a signal for Russian participation in Chinese affairs.

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Marshall Mission Files, Lot 54-D270

*Chinese National Government's Reply to Communist Party's  
Counterproposals*<sup>16</sup>

(Only the political issues)

1. State Council can allow only thirteen seats to Communist Party and Democratic League.
2. If time does not permit the reorganization of the Executive Yuan when the State Council is established, this should be postponed till after the National Assembly has convened.
3. Approved.

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<sup>16</sup> For Communist counterproposals of October 22, see p. 412.



4. If the present negotiations justify it, the postponement of the National Assembly may be considered.

5. The Government consents to add 350 members to the National Assembly if this is approved by the Steering Committee.

6. The Government cannot approve the announcement of Communist Party delegates after the reorganization of the Government but believes that a procedure acceptable to both sides can be arranged.

7. Local administration within the Great Wall and in Manchuria cannot be treated alike.

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall, Dr. Stuart, Mr. Miao Yun-tai, Mr. Tseng Chi, Dr. Lo Lung-chi, and Mr. Lee*<sup>17</sup> *at the American Embassy, Nanking, October 25, 1946, 10:45 a. m.*

Also present: Colonel Caughey  
Mr. Philip Fugh<sup>18</sup>

Doctor Lo opened the meeting by stating that the third party group had now obtained the Government reactions (from Doctor Sun Fo and Doctor Wang Shih Chieh) to the seven political points, or questions, raised by the Communists to the Government's 8 proposals. These reactions were: 1) The Government will give to the Communists and Democratic League only 13 seats in the State Council. 2) The reorganization of the Executive Yuan is to be included in the governmental reorganization but not until after the National Assembly has met. 3) Those matters agreed to by the PCC shall stand and those matters not agreed to shall be discussed by either the PCC Steering Committee or the Draft Constitution Committee. 4) The meeting of the National Assembly cannot be delayed although there is a possibility of postponement after the first meeting on 12 November to afford more time for discussions. 5) The PCC Steering Committee can decide whether or not the 2,400 delegates to the National Assembly should be increased by 450. 6) The names of the delegates for the National Assembly must be submitted by the Communists at the same time a cease-fire agreement is reached. 7) The question of exclusion of Manchuria from discussions concerning local government must stand as is.

Doctor Lo continued by stating that the third party had raised certain questions to the Government representatives, the first of which concerned the 13 members of the State Council; the third party had suggested discussion of this matter by the Steering Committee of

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<sup>17</sup> Possibly Li Huang, co-chairman of the Chinese People's Political Council and member of the Young China Party.

<sup>18</sup> Chinese assistant to Ambassador Stuart.

the PCC since the third party did not consider that it was a decision for the Government to alter the 8:4:4:4 ratio since that ratio had been established by the PCC.

The third party also raised the question of local government in Manchuria and took the view that since all local governments were to be regulated, or controlled, by a reorganized government—this in accordance with the PCC—the Government attitude in this respect left open to question what agency would direct or control local governments in Manchuria until the Government was reorganized. Doctor Lo reported that the Communists want definite assurance that the Government intends to carry out the decisions reached by the PCC in accordance with the PCC procedures. Assurances on this point would greatly assist negotiations. Doctor Lo continued by stating that the third party had forwarded to the Communists the Government's attitude, as evidenced above.

Doctor Lo continued by stating that there was a little confusion within the third party concerning the four military points, or questions, mentioned by the Communist Party and that the third party had, after discussing in general these problems with Doctor Sun Fo and Doctor Wang Shih Chieh, suggested that it would be best to refer these matters to the Committee of Three. Doctor Lo then asked General Marshall if he had any comments.

After briefly consulting with Doctor Stuart, who agreed, General Marshall told Doctor Lo that it was his desire to stay out of detailed discussions at this particular time in order not to confuse the issue. He added that his only comment was that the views expressed by both sides contained glaring inaccuracies. General Marshall then pointed out that the arguments set forth by General Chou appeared in some respects skillful maneuvers which cloud major issues.

General Marshall pointed out that as far as the Government was concerned they were most interested, and he agreed, in the concept, that some sort of a military reorganization plan be developed based on the principles set forth in the 25 February reorganization agreement. General Marshall stated that this appeared to be the basic issue, that the armies must in effect be neutralized or else political negotiations and governmental reorganization would be impossible. General Marshall pointed out that the Communists have continuously advocated that the resolutions reached by the PCC should be adhered to. He added however that army reorganization was also a part of the PCC resolutions, a matter not mentioned by the Communists. The fact that army reorganization is a part of the PCC resolutions is all the more reason this aspect must be resolved. General Marshall continued by stating that the memoranda passed between the two parties in the past few days could not be considered as providing a clear cut

basis for negotiations since a mass of minutia has been included. He again advised Doctor Lo that the real basis of continued negotiations was a satisfactory solution to army reorganization.

Doctor Stuart stated that he and General Marshall were counting on the third party to get into the business of stopping the fighting. He added that the number of seats in the State Council for instance, or the submission of names of delegates, or revival of the Draft Constitution Committee, all, in effect, were small matters in comparison.

General Marshall cautioned Doctor Lo that there had developed a difference of opinion between the Government and the Communists with reference to the army reorganization and that this difference had developed as follows: The 25 February agreement provided for the location in various areas elements of both the Nationalist and Communist armies; but the Government approached the June meetings on the assumption that only Communist locations were to be determined. This was not in accord with February 25. It would have permitted isolation and subsequent liquidation of the Communist forces by superior Government forces. He persuaded the Generalissimo to agree to location of units of both sides. The Generalissimo's memo of October 2 again repeated the error of omitting designation of location for Government units.

Doctor Lo informed General Marshall that the third party had not yet worked out a definite scheme of operation but that their program now envisaged a cessation of hostilities; holding all troops where they now are; and then mutual discussion of the various problems concerning military and political details. Doctor Lo said he had informed General Chou that he should not count on Communist military strength as a means to obtain political strength since the Communist military strength was inadequate to accomplish this, but that instead he must depend on political force in order to arrive at a satisfactory form of government.

General Marshall then told Doctor Lo that it was his opinion that the third party might get at the root of the present difficulties by finding some sort of an agreement between the Government and the Communists concerning the Kalgan versus Harbin issue. He stated that they might find the Government willing to give up Kalgan providing Communists would not station troops there; if the Communists would permit establishment of a National garrison of sizeable strength in Harbin. General Marshall added that in addition to this particular question, some sort of a political concession might be reached on the exclusion of Manchuria from reference of local government to political settlement by making Antung Province the one exception in Manchuria.



Doctor Lo then asked General Marshall when the Generalissimo would return to Nanking. General Marshall stated that he had taken up this matter with General Chen Cheng the previous day and that he was quite certain the Generalissimo would return Saturday or Sunday as originally scheduled. He said however that negotiations at the moment did not seem to demand the Generalissimo's presence. General Marshall continued by saying that in the eyes of the world the Generalissimo's prolonged absence from Nanking would carry a definite implication of unwillingness to negotiate.

Doctor Lo said the Communists felt that the Government's eight proposals were arbitrarily and dictatorially issued and on psychological grounds they had refused to accept any of the points, even though some were acceptable to the party. The Generalissimo apparently expected some formal acceptance or denial but the third party had encouraged General Chou not to make a formal reply. Doctor Lo then asked General Marshall to dissuade the Generalissimo from requiring a formal reply since 1) it would not accomplish a purpose in view of the third party participation between the two major parties and 2) because to require a reply would mean great loss of face to General Chou and his party.

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Mr. Miao Yun-tai at No. 5 Ning Hai Road, Nanking, October 25, 1946, 2 p. m.*

Also present: Col. Hutchin

Mr. Miao informed General Marshall that he had just returned from a visit to his tin mines which were now producing some 2,000 tons annually, their pre-war production had reached 10,500 tons per year. However, the present 2,000 ton capacity was an improvement over their low of 1,200. Profit was not great but workable. The chief shortage was transportation.

Mr. Miao said that he felt like it was not particularly advantageous for him to participate in political talks. He thought that the whole problem was military rather than political. He asked General Marshall what he thought.

General Marshall replied that it is quite true that you cannot obtain a political settlement unless you neutralize the military situation. There were military leaders in the Kuomintang Party who felt that they could crush the Communist armies, and on the other side there were Communist military leaders who felt sure of their ability to carry on a protracted struggle. The Communists did learn a lesson at the battle of Ssuningkai and now they no longer will stand for

heavy fighting, but would confine themselves to guerrilla tactics. Actually, most military leaders on the Government side did not appear especially interested in the National Assembly or in bringing the Communists into the Government. With their present feeling that they can crush the Communist forces, and settle matters once and for all, they are apt to get into a position where they will require military assistance and, of course, they won't get it.

General Marshall felt that the real hope of reaching a settlement rests with the third party group. He felt that the third party is in a position to wield what amounts to a power. Whichever way they throw their weight is bound to affect any political settlement. It is a power that needs wise direction. It will be necessary for the third party to act as a unit.

Mr. Miao thought it was a must that the third parties bring out a concrete proposal which both sides could accept. He felt there was no use in carrying messages from the leaders of one party to the leaders of the other party. Personally, he was not adverse to letting the two major parties fight it out *if* the Kuomintang leaders could give some assurance that they could destroy the Communists. He asked General Marshall what he would think if the third parties came up with a proposal that General Marshall or some American officer be given command of all Chinese forces.

General Marshall replied that he did not think this was a practical solution. Command amounts to nothing unless it is respected. A large measure of the Generalissimo's or Government's power, rests on control of the military forces. If you place those forces under an American, then the major power of the Government would have been eliminated. Further, it would create an international political situation which would be unacceptable. It is difficult to imagine the turmoil that would result from an American commanding all Chinese forces. It would be impossible to convince the Soviets that this was not a U. S. stepping-stone toward getting a measure of control in Manchuria. General Marshall felt that such a proposal would be most impractical.

General Marshall then discussed the effect of Communist propaganda and showed that it had almost completely destroyed the effectiveness of Executive Headquarters. The power of that tripartite agency was so weakened as to be almost incapable of action.

General Marshall again emphasized the necessity for the third parties to act together and to play a wise and determined part. They should carefully examine both sides of the situation. The Generalissimo is aware that he is necessarily dependent upon the third parties for the success of the National Assembly. The third parties should get down to the fewest possible issues, get the fighting stopped, and

settle certain fundamental issues, particularly like the organization of the State Council.

Mr. Miao agreed that the chief weapon of the third party group was its participation in the National Assembly. He felt that the first important point for the third parties to settle was the cessation of hostilities. Second and almost simultaneously would come a designation of the Communist delegates for the National Assembly. This would be followed by a settlement of the issues pertaining to the reorganization of the Government, the local government problem, and the Kalgan-Harbin problem. These are the five main points. If possible, it would be desirable to leave the reorganization of the Executive Yuan alone and just settle the matter of the organization of the State Council. Mr. Miao conjectures that it might be desirable for certain ministries, such as communications, finance, and education, to be absolutely neutral in every respect, possibly even to employ foreigners. He thought possibly this last might be too theoretical, though it might work if it were stipulated for a period of say only two years.

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893.00/10-2646 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 26, 1946.

[Received October 26—6 a. m.]

1747. Following item from Yen-an broadcast October 23:

"Yen-an *Emancipation Daily*, central organ of Chinese Communist Party, editorially appealed today to UNO Assembly for:

(1) Unconditional implementation of obligations by United States Government as member of United Nations by withdrawing all American forces from China, ceasing all financial and military aid to Chiang Kai-shek dictatorial government which is waging civil war and betraying national interests, ceasing Lend-Lease and withdrawing all surplus property of American forces in China and Pacific, withdrawing United States military advisory mission helping Chiang Kai-shek to direct civil war operations, and paying reparations for atrocities and damage to life and property committed by American forces in China.

(2) Organization of special China investigation committee by UNO to conduct investigation on spot of American forces in China, infringing Chinese territorial integrity and security should American authorities refuse to comply with above demand.

Editorial emphasized that so-called Chinese delegation to UNO Assembly only represents dictator Chiang Kai-shek and his clique and not the Chinese people who would not be responsible for action and words of Chiang Kai-shek's representatives betraying Chinese national interests at UNO Assembly.



Editorial listed following violations of article 2 on principles of United Nations Charter: 'All members shall refrain in their international relations from threat or use of force against territorial integrity or political independence of any state':

(1) United States Government equipped, trained and transported Kuomintang troops to North China, Central China and Manchuria to wage internecine war. It has equipped and trained 60 divisions for Chiang Kai-shek dictatorial government of which 20 divisions were equipped just on eve of Japanese surrender. United States Navy and Army transported 13 Kuomintang armies, totalling half-million men, for civil war in north.

(2) United States continued to aid this dictator government with planes, guns, tanks, munitions and even dock, communication, uniform and medical equipment for fratricidal strife after Japanese surrender. This aid, according to available American official report, reached four billion dollars in gold, four times more than amount of American aid during anti-Japanese war. This was in return for territorial, sea, air, inland navigation, military, financial, economic and communication right[s] sold by Chiang Kai-shek.

(3) Long term garrisoning of large American force in China violating Chinese territorial integrity—53,000 United States Marines landed in Tientsin, Tsingtao and other ports while United States Seventh Fleet entered North China ports after Japanese surrender. These American forces built roads, protected roads, garrisoned towns, built bases, trained air and naval personnel for Chiang Kai-shek, laid out network of military bases and openly engaged in armed penetration into towns and areas of liberated areas. United States had officially announced that American forces would be withdrawn after fulfilling task of repatriating Japanese in China. Accomplishment of this task had been officially announced in mid-July this year but American forces still refused to leave China.

(4) Killing, assaulting of peaceful Chinese civilians and raping of Chinese women and robbing of Chinese shops by American forces in China. One United States Marine in Tientsin had thrown 9 year old Chinese girl into river.

(5) Open over-running and attack on Chinese liberated areas by American forces. American forces directly helped Chiang Kai-shek's troops to occupy Chinwangtao, Peitaiho, Liushouying and Anping which had been liberated by Eighth Route Army in East Hopei. In addition there were innumerable disturbances and strafing of Chinese civilians by American planes.

(6) United States Government aided Chiang Kai-shek to establish his secret police to terrorize Chinese people. Secret Service division of United States Navy helped Chiang Kai-shek's secret police through organization called SACO (Sino-American Cooperation Organization). Secret police who killed liberal leaders in China were equipped with American-weapons.

Editorial said that this violation of Chinese territorial integrity and building of bases along China coast to monopolize occupation of

China and prepare for third world war is serious menace to world peace and security."

STUART

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and General Chou En-lai at No. 5 Ning Hai Road, Nanking, October 26, 1946. 11:30 a. m.*

Also present: Colonel Caughey  
Mister Chang

GENERAL MARSHALL: Doctor Stuart and I have seen various members of the third party during the past few days who reported on the various aspects of the present state of negotiations.

GENERAL CHOU: Mister Shao Li Tze has told me of an impending trip of the Generalissimo to Sunghwa <sup>19</sup> (his birthplace) on the 31st.

GENERAL MARSHALL: I know nothing about that. I knew about the Formosa trip three weeks in advance. I persuaded him to postpone his trip at the last minute when I found that you were coming back. The Generalissimo told me he would come back on four hours' notice if I wired him. I did not do that because I preferred that the procedure of mediation be direct through the Third Party rather than through me. By his original plan he is due to return today, but it now seems that he is coming tomorrow, Sunday.

GENERAL CHOU: Do you have any further information on the military situation?

GENERAL MARSHALL: I have read reports in the paper, not from Executive Headquarters, of an assault on Chefoo and from Executive Headquarters of the operations around Paoting, and a rumor from Executive Headquarters of operations in the vicinity of Antung. Has General Chou any information on military actions that he wishes to tell me about?

GENERAL CHOU: I have heard about the following military operations:

1. *In the vicinity of Antung.* The Government has sent three armies to lay assault against that city along three routes. The north route has already occupied Tunghwa and is driving from Hsinhsin toward Antung. The central route through Penhsi, and the third route from Kaiping. All three routes are closing on Antung. The assault was started on October 22nd.

2. *Around Chefoo.* The Government sent one force over-land from the Tsinan-Tsingtao railroad through Laiyang toward Chefoo. An-

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<sup>19</sup> Fenghwa, Chekiang.

other route is by sea. A CNRRA<sup>20</sup> ship was enroute to Chefoo on October 16th carrying relief supplies and personnel and I have not heard of its safe arrival. I learned that the coastal warfare took place on October 23rd or 24th. I have not received any details as yet.

GENERAL MARSHALL: Are you asking me about the CNRRA ship?

GENERAL CHOU: No, I am merely expressing my concern.

3. *In North Kiangsu.* There has been war around Tungtai for some time. It started prior to October 10th and the assault is still going on. Also assault has been launched against Lienshun which is to the northeast of Huaiyin and to the north of Nantung. The area was occupied during the last three days.

4. *Along the Peiping-Hankow Railroad.* The Government is endeavoring to push through the whole strip of the railroad. From the south it is attacking from Anyang northward endeavoring to capture Tzu Hsien and Taming. In the northern section the fighting is going on between Peiping and Paoting.

5. *In North Honan.* The Government is fighting from the Peiping-Hankow railroad westward along the Tao Tsin railroad toward the Chiaotso coal mines. At Taiyuan fighting is taking place along the northern bank of the Yellow River. The Government's attitude is to fight through from the railroad down to the Yellow River.

6. *Along the Tungpu railroad.* General Hu Tsung Nan's forces continued driving northward occupying Hungtung and Chaocheng despite previous casualties they have sustained.

Since the occupation of Kalgan, the over-all picture is still a continuation of the Government's drive along all fronts. Thus far in the month of October, the Government has occupied 19 cities in China Proper and in Manchuria. The picture has completely changed since the attack against Kalgan and it shows that the Government is determined to continue the war. Therefore, the last time you called on me in Shanghai, I already anticipated that the situation would not improve and I also explained to you that a suspension of the drive against Kalgan for 10 days under the two conditions of the Generalissimo would not produce results. It so happened that after your return here, Kalgan was occupied and that the Government issued the call for the National Assembly. It then appeared that everything was finished, but through the efforts of the Third Party, I could not overlook a chance, and therefore I came back to Nanking.

I have already acquainted Doctor Stuart with my views pertaining to the Government's eight points and I assume that he has transmitted my views to you. I do not need to repeat them here. From its outward appearance, the Generalissimo's eight points look like an ulti-

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<sup>20</sup> Chinese National Relief and Rehabilitation Administration.



matum because it called for an agreement to those eight points before a cease fire would be issued. Also, the contents of those eight points are not fair minded. While the Third Party is exerting every effort, the Government's military actions are still being continued in an active manner. This shows clearly that the Government's objective is to take Antung, Chefoo and the railroad lines. This is evidence that whatever cannot be obtained by negotiations will be taken by force. Since this matter relates to military affairs, I cannot wait for the Third Party. Since the Committee of Three is formally still in existence, I have the responsibility to report the situation to you. Should these military advances be continued, I could see no necessity for the continuation of negotiations. I feel that the Committee of Three should take certain actions regarding this matter.

GENERAL MARSHALL: As to the Generalissimo's trip to Formosa, I regretted very much his going at this time. Previously there were two occasions during which I thought his absence from Nanking was most unfortunate: notably his long absence at Mukden and Peiping. I took very positive issue with the Government on that occasion. I also was concerned over the delay in his return to Nanking from Kuling and the delay in coming to Nanking from Chungking when he made the trip to Hsian. The most serious question, of course, was the protracted stay at Mukden. This occasion, I am absolutely certain, has no connection with your return to Nanking.

In the first place, until Saturday evening at 7:30, our information was that you were not coming back here at all. It was about 8 o'clock that we learned that you were returning on Monday morning. The Generalissimo's trip to Formosa had been a matter of knowledge to me for about three weeks with the date set for October 20, so it had no relation whatever to your return, which was decided upon by you at the last moment. I was partly instrumental in having the Generalissimo delay his departure so he would actually be here when you returned. However, his seeing you personally was his own arrangement. He did not tell me about that. He did tell me that he would return on four hours' notice if I telegraphed him. I did not telegraph him because I was not a party to the negotiations. His schedule required him to return today or tomorrow. He is returning tomorrow; maybe today. He had started his trip to Formosa; one plane had left, the other was loaded and it was just 15 minutes before his departure that he decided to await your return. I do not think that the trip should be judged as a deliberate action with relation to the negotiations. Had the Third Party reached a point in the negotiations where his presence seemed imperative, I think it would have been easy to bring him back. I counsel against judging that trip as having an important bearing on the present negotiations. I would

suggest that you keep in mind that your own plans were entirely uncertain with no indication here whatever of what you were going to do other than to remain in Shanghai.

Before I go any further, it is 12:30. I want to ask you if you will have lunch. Lunch will be about 1 o'clock.

GENERAL CHOU: Yes. I will.

GENERAL MARSHALL: I do not quite understand you in your reference to the Committee of Three, whether or not you are proposing an immediate meeting. But before hearing your answer to that question I would like to say this: Dr. Stuart told me of his conversations with you the other day and I gained the impression that there would be little purpose in my arguing with you regarding various aspects of the situation because your mind seemed to be closed to any view other than the view you had already expressed to me in Shanghai. Your reactions regarding some of these matters are so far from facts as known to me in which I happened to be the principal actor. For example, your reaction about the Kalgan truce was in some respects almost the opposite of the actual circumstances. The Government did not want a truce. It was, in fact, bitterly opposed by the military leaders, I think. The Government only came to the consideration of the truce when it was confronted with an absolute demand on my part that it must offer some compromise.

I did not like a truce. As a matter of fact I was opposed to a truce in the form of arrangement to meet the circumstances, so in the end there was a compromise, but it was a very unwilling compromise on the part of the Government. Yet the proposal was judged as a government device. It would be very difficult for me to argue with you about something that I know to be a matter of fact and not conjecture, and there was much more to it even than I have stated. I am not discussing whether or not the truce proposal was a proper proposal. I am merely stating what actually happened.

Next, the eight points. It is very difficult for me to comprehend your view regarding those eight points. I can easily understand your concern regarding the Harbin issue in Manchuria in relation to Kalgan. What I can't understand is your reaction to most of the other points. The Generalissimo has been insisting for some time on the point concerning the announcement of delegates to the National Assembly. Heretofore, he merely made that demand, but when it came to these eight points, he compromised that with the agreement to immediately reconvene the Constitutional Draft Committee and added the statement that that draft would be the basis for the discussion before the National Assembly. Those two points, I had understood, were Communist desires and upon which, up to that time, I had been unable to secure from the Government a positive state-

ment in confirmation of the PCC agreements. Another point related to local governments. That had been the stumbling block, practically wrecking the negotiations in June, with relation especially to Kiangsu. This time the local government issue is cleared for China south of the wall, and while it is true Manchuria was excluded, to which I did not agree, nevertheless a very broad Government commitment was made.

Regarding the location of troops, I had always been very careful to report to you and your associates what I thought was the Government attitude so that there would be no misunderstandings and no consequent surprise action. As a matter of fact, in the eight points, that particular condition provided for a negotiation of the matter by the Committee of Three.

The fact of the matter, and I am now dealing with facts, was that those points I have just mentioned regarding the draft of the Constitution and its being made the basis of the discussion in the National Assembly; regarding the local governments, except for the exclusion of Manchuria; and regarding the question of the location of troops being left open to later negotiation, were not included in the original points considered by the Government and it was only through the utmost pressure on my part that they were clearly stated among the eight points so that there could be no uncertainty about them. There was very determined opposition on the part of powerful members of the Government to such statements at this time and it was no easy matter to persuade the Government to commit itself in that manner. Now again I am not trying to argue as to whether or not those were proper statements. I am merely trying to make clear that the assumption that they were proposed for an evil purpose is not correct.

I am certain there was no devious purpose in the proposal concerning the tentative agreement on the troop dispositions in Manchuria (leaving out the issue that was raised later on in the summer by the Generalissimo as to the local government in Antung). As I understood it, the one issue (aside from the local government in Antung) on which there was no clear understanding was the location of Communist troops in Yenki rather than in the larger city to the north.

I do not think it is profitable for me to discuss with you the merits or demerits of the various problems. I repeat again, all I am trying to make clear is that you have misjudged, I think, almost entirely what led to the Government statement of those particular eight points and that is why Dr. Stuart and I feel completely baffled. It was never so evident as in the case of the Kalgan truce. The Government thought it would not only lose the advantage of the momentum of the successful advance but that the Communists would profit by the delay. You stated, I think (I know that Mr. Tung Pi Wu did), that you



felt that the Government had proposed the Kalgan truce in order to improve its military position by reinforcement and by the movement of supplies. There is a good example of being completely defeated by an overwhelming suspicion.

I question the advisability of my having discussed these issues now but it seems so hopeless to make an effort and then have it completely misjudged. The misjudgment, however, is not confined to one side.

GENERAL CHOU: I agree with you that to argue about the facts would not be practicable at this moment and that no argument would change the situation. It would only help us to explore the true facts. On the other hand the situation changes because the fighting is being enlarged. Therefore, I would prefer to say a few words about the present state of affairs.

You just asked me whether I have in mind to propose a reconvention of the Committee of Three. It seems to me that this is not the issue. As you have said before, to call a meeting at this moment would only lead to further argument. However, I do not, in any way, object to the reconvention of the Committee of Three, but I do not see any profitable outcome of this meeting at this moment because the Government has no intention to stop the war.

The Third Party has asked the Government representatives why the question of the local governments in Manchuria should form an exception. To this Dr. Wang Shih Chieh replied that prior to the cease fire order, Manchuria would not be committed to such a clause. In case the cease firing order was issued we would expect the terms of the Government to be so written that, while the present position in north and Central China will be maintained, in Manchuria the Government would demand acceptance by the Communists to the previous terms—that is, the Communist troops would be concentrated to three points—Yenchi, Tsitsihar and Hailar and to the region of the 2½ provinces. This would not be acceptable to the Communists. Since it is not acceptable, it is obvious that the Government would simply push on with force. What I would like to tell you at this moment is that it seems an established fact that there will be a nation-wide split because this has been ordered by the Generalissimo.

I am particularly concerned now with the present military situation. I would like to know if there is any chance, according to your view, of rescuing it. Only such a hope would brighten the prospect of the efforts made by the Third Party. I would like to hear your view on this.

The next point I would like to speak about is the 10-day Kalgan truce. I am aware of what has been going on. You thought there was a misunderstanding on my part. It was actually not like that. I perfectly realize that you have made a great effort on this matter,

but the Government demanded that the truce be effected under conditions it had imposed. You also notified me to this effect. I made an oral reply opposing such conditions and immediately following that you issued the public statement which left no room for subsequent negotiation on that point. That was the fact regarding that.

As to the eight points you state that some are the concessions on the part of the Government. These points are related to the stipulations of the PCC which have been violated by the Government. Promises regarding these eight points should not be considered as concessions. For example, you have often mentioned that the Communist side did not submit the Army list. In the past we did not submit this list only because of the war in Manchuria. Later on, if the armies are to be reorganized and the Communists did submit the list, this could not be considered as a concession on the part of the Communist Party.

With regard to those eight points, there are three formulas the Government adheres to:

*First*, the Government would not withdraw from areas now occupied. On the other hand, the Communist troops would have to be withdrawn into certain positions, such as the 2½ provinces in Manchuria.

*Second*, whatever we had promised to the Government in June, they would insist upon, such as Harbin. On the other hand, what we asked for in June and what was promised us, would not be given to us now, such as the restoration of the January 13th and June 7th positions.

*Third*, whatever the Government demanded in June and to which we made no promise would be insisted on. For example, the evacuation of troops in North Kiangsu, or withdrawal of local governments from certain places in Manchuria. What we demanded from the Government and to which they made no promise would be refused to us, such as the garrisoning of Chengtu by the Communists.

So the result would be that, while in China Proper where they say the fighting would be stopped on the spot, the troops would be stationed as proposed by the Government; and with regard to local governments, the Government would have the whole province under their control in cases where the capital of that province is in its hands. If that formula is followed, there would not be much left in China Proper under the control of the Communists. In Manchuria, the Communists would be in the 2½ provinces and nothing more than that.

The Third Party group are not so well aware of these circumstances, but you are very well aware of it, and you know also that this could not be accepted by the Communists. Whatever form the Government adopted in presenting its demand, whether it be two or eight points,

the result would always be just the same. The reason we previously made such a big concession with regard to the army reorganization plan was that we hoped the Government would reciprocate with regard to local government and self-administration and the coalition government so that the country could be well along on the road to democracy.

According to the present formula of the Government, not only will the Communist troops be separated and surrounded by the Nationalist troops, but also the area of the local self government will be reduced to a minimum. Within the coalition government itself, the Communists would also be reduced so as to exercise no influence at all. This is tantamount to forcing the Communists to surrender. The Government feels that it has scored a victory by occupying so many cities. But, as a matter of fact, the Communists have never surrendered—not even in 1927 when they had no rifles in their hands. How can they expect us to surrender at this time?

Speaking of the military situation, the fact that they have occupied so many cities is due to the fact that we are on the defensive while they have all the initiative. They are launching attacks along all the fronts, concentrating their forces and striking at particular places. On our part, we have been putting up local resistance: wherever they would attack we would resist; wherever they did not attack we also refrained from attacking, such as in the Yen-an Border region. But in case there is a total break, we would not feel committed as we previously had felt and we would also adopt an all-out resistance. We know there are many places under the Government control where they have only a small force which are weak points and which could be very well exploited to our advantage.

(Adjourned for lunch.)

GENERAL MARSHALL: I will not undertake to discuss the various points you brought up because I feel we will be going somewhat in a circle. I merely say that part of your contentions I accept as correct from my point of view, and part I do not. I find great differences between myself and the Government and between myself and the Communists. What I most deplore is allowing any small thing, any matter of form, to delay or prevent an understanding for a cessation of hostilities. The question then is, "What are the small things and what are the large considerations?"

As to the Committee of Three, I was not suggesting a meeting. I feel in regard to that very much as you do; unless we have some good sound basis of understanding before we start, there is little likelihood of success in such a meeting and more likelihood of ill-will being generated. My question regarding the Committee of Three simply related to your remark regarding that committee.



I know you have felt (I have often commented on the fact) that there are certain Government leaders who are convinced the Communist Party will not keep any agreement, and that the Government's solution to the situation is a policy of force. As a matter of fact, some of them have stated that publicly. That point of view therefore has to be contended with in dealing with the government. On the other hand on the Communist side, I am well aware of the suspicions and fears regarding being placed in a position where military force can practically extinguish the party, or where the secret police can greatly oppress, if not terrorize.

So in all of these matters we have two positive and conflicting beliefs or views. The struggle has been, so far as Dr. Stuart and I are concerned, to compromise now to the point where we could get an agreement for the cessation of hostilities and then proceed with negotiations. That, however, has to be a compromise procedure. I have nothing to offer at the moment except again to deplore bringing into the discussion any points that are not vital, that are not vital to the fundamental requirements of the two sides. The distrust exists, and I think it is greater now than it ever has been before. Therefore there is all the more need to find some method to which both can agree of stopping the fighting. The issue now is so confused, so many points have been brought into the discussion, exceptions have been taken to so many points of view of one side or the other, that the situation presents an almost impossible prospect for agreement unless it is divested of every detail that is not vital to either party.

In a few words: the Government feels that practically anything it proposes will be turned down by the Communists, and the Communists feel almost exactly the same regarding the Government. The trouble is that both differ as to the respective merits of their cases. From my point of view, both sides have been pretty wrong. Neither side accepts that point of view except as it relates to the other side. Now the distrust and bitterness has increased to such an extent here recently that it makes any form of negotiation one of extraordinary difficulty. I am certain that half the trouble on both sides is "distrust". To express it more accurately, I had better use the word "misconception" or "misconstruction". It accordingly had been my last hope that this third party group might be able to find some basis of compromise. And that, of course, would be infinitely preferable to a mediation procedure by Americans because it would be Chinese settling their own difficulties. The Third Party group appear to be endeavoring to act in a strictly impartial manner. I think it would be a great mistake for you to go back to Yen-an within the next few days because with the discussions that have already been held, with

the Third Party people, with Government representatives, and with the Generalissimo's return so that they can discuss matters with you, it may yet be possible to do something to bring the fighting to a halt and then discuss outstanding issues.

That is all I have to say at this time.

GENERAL CHOU: There are two points I would like to speak of. The first is that if in the next few days the Third Party group can construct some compromise formula and if the formula has a sound basis, though I do not see for myself how it can come about, I would like to discuss it with them. That is the purpose for my remaining here. The second point is regarding the military situation, which you have not answered. As it now stands, the situation is getting more and more serious. It appears that the Government is taking the liberty of attacking any place it desires. If that situation continues there will not be any room left for any kind of negotiation. In that case my presence in Nanking would seem to be superfluous. I would like to draw your attention to that for—

GENERAL MARSHALL: In relation to your comment that I have not given a reply to that portion of your question, the solution to the military situation so far as I could foresee it, was to bring the fighting to a halt. My struggle has been to find some basis for accomplishing this. Your proposal is 13 January. The Government declines that. Now my search has been to find some basis the Government would agree to which possibly the Communists would also agree to. That was the best I could do under the circumstances. My effort had been to find some quick way to stop the fighting with a minimum of discussion. I know of no other approach. That was the reason I took such drastic steps to find some way, even though it was not the way I would have preferred, to halt the operations before Kalgan was captured.

I do not know any other method of approaching the situation. It grows worse hourly. Dr. Stuart and I tried to find some preliminary step, in early July, as a basis from which might lead up to a cessation of the fighting. The Government was first unwilling and then finally agreed. General Chou would not agree. Then the fighting grew worse. As a last desperate measure, I dealt with the issue of Kalgan. You felt that the truce was a capitulation. I insisted that sitting down at the table did not involve agreement, it merely meant the initiation of a discussion regarding a Government position. Now we have reached another somewhat similar situation. What we want to do is stop the fighting. I have done my best to try to bring that on. Now my hope is that the Third Party group can do it.

GENERAL CHOU: It has always been my belief that the quickest way to lead to a cessation of hostilities is an unconditional truce, but the negotiation since June has proven this is not possible. The only way

I see is to lead to a conditional truce which would contain conditions acceptable to both sides. If this course were followed, there would also have to be a period of time during which the tension of the situation would have to be reduced. But now, instead of lessening, the situation is tighter although the Third Party group is striving to bring about an agreement. I still wanted to raise these points with you since we are both on the Committee of Three.

Meeting was adjourned.

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to President Truman* <sup>21</sup>

[NANKING,] October 26, 1946.

1695. DEAR MR. PRESIDENT: Since my 1663 of October 17, the so-called Third Party Group consisting of the Democratic League, the Young China Party, and the politically active nonparty people have sent an important delegation to Nanking to act as intermediaries in the negotiations. The same morning, Monday last, General Chou En Lai returned in a United States Army plane. Unfortunately, the Generalissimo had previously been long scheduled to leave Sunday, the day before, for his first visit to Formosa in 40 years. He postponed his departure 24 hours so as to receive Chou and the Third Party Group personally on their arrival. His action in this matter, I am certain was without intention to influence one way or another the negotiations. Chou's decision to return to Nanking was not made until late Saturday and was unknown to the Generalissimo until 8 p. m. Saturday. The previous information from the Government representatives who had gone to Shanghai to persuade Chou to return and had reported to the Generalissimo Saturday morning, was that Chou had refused to return.

Since arrival in Nanking the Third Party men have been continuously occupied in discussions with Government representatives, Communists, Doctor Stuart and me. They are acting as a united group, at least for the time being, and are very earnest in their endeavors to bring about a peaceful settlement. They state that unless certain commitments are made by the Government regarding the procedure for convocation, delegates, etc., for National Assembly, the Third Party will not attend. This incidentally is their principal weapon to influence action on part of either Government or Communists.

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<sup>21</sup> Copy transmitted to the Secretary of State by the War Department on October 27.



General Chou rejects the eight point statement of the Generalissimo, refusing to revive those portions of the June negotiations on which a tentative agreement had been reached. I think this action is based on two considerations, one pertaining to complete distrust and consequent misconceptions and the other one to establish a basis for maneuvers or trades in getting some concession regarding Kalgan and the continued Government military occupation of places recently taken over [Incidentally, Antung in Manchuria was taken over]<sup>22</sup> by the Government today and an operation against Chefoo is fully under way [.] The Communists are trading, I believe, between their stand for the return of all troops to their January 13th positions in China and June 7th positions in Manchuria, against the Government's stand to continue in occupation of places recently taken over. Communists' present occupation of Harbin might possibly be traded by them against Government possession of Kalgan, etc. The Communists had agreed in June to release Harbin to the Government, the Government on the other hand was then ready to accept continued occupation of Kalgan by the Communists.

Since Chou's return he called on Doctor Stuart once, Tuesday. Doctor Stuart reported on this, "The interview was a long story of distrust and misconception". Chou did not communicate with me until he appeared unannounced late this morning and had a two hour conference with me, not including the half hour we devoted to lunch.

Doctor Stuart and I have, in effect, kept clear of the negotiations this week, endeavoring to push to the public forefront the Third Party and Doctor Sun Fo. At the same time, the Third Party members have reported to us and consulted us.

Chou today recited most of the differences from the Communist point of view taking the stand that the Government had stipulated unacceptable terms which amounted to a surrender, and was at the same time determinedly pursuing a full dress military campaign. He said Yen-an, learning of the Generalissimo's departure, had recalled Chou. He had advised against his leaving Nanking for the next few days in the hope that some good might come from the Third Party effort. He then covered the military situation of aggressive Government actions and said he made those comments to me as a member of the Committee of Three. I asked whether or not he was suggesting an immediate meeting of the Committee and while his reply was a somewhat complicated statement, apparently he was not asking for such a meeting at this moment. I tried to disabuse his belief regarding the Formosa trip and informed him that the Generalissimo returns tomorrow, Sunday, at 2 p. m.

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<sup>22</sup> Insertion made on basis of General Marshall's telegram as sent to the War Department.

We had a long talk but it was without much effect as he adheres stubbornly to his belief in Government duplicity of intent as to the Kalgan truce episode and prejudiced action by Doctor Stuart and me in giving a press release on it, and regarding unreasonable or evil purposes of the Government in putting forward the eight points in the Generalissimo's statement of October 16th. The important point of the interview today was the fact that Chou called on me despite his attacks on the impartial integrity of my actions and of my final statement in our Shanghai interview that by his own statements he had terminated my services as mediator.

I can make no predictions favorable or unfavorable. Negotiations are still under way and, very fortunately, I think, under the auspices of Chinese mediators instead of American. The Generalissimo's return may either help or hinder. The Marine Corps incidents concerned with hunting parties complicate matters.<sup>23</sup>

The best we can do at the present moment is to wait and see. As you and the Secretary realize, above all men, the state of peace appears at times more difficult than the state of war.

G. C. MARSHALL

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Marshall Mission Files, Lot 54-D270

*Notes on Meeting Between General Marshall and General Yu Ta-wei at No. 5 Ning Hai Road, Nanking, October 27, 1946, 4:45 p. m.*

Also present: Lt. Colonel Hutchin

General Marshall was asked what had happened in General Marshall's meeting with General Chou En-lai, and what did General Chou En-lai have to say.

General Marshall then explained generally what had transpired in his meeting with General Chou En-lai, yesterday, 26 October. [Here follows account of conversation reported in minutes printed on page 425.]

Several times during the conference, General Chou En-lai referred to either General Marshall or himself as a member of the Committee of Three. General Marshall did not understand at that time the repeated reference to the Committee of Three, but now he thought it was Chou's indirect way of putting General Marshall again in a position of a mediator.

[Here continues account of conversation on October 26.]

General Marshall did not discuss with General Chou En Lai the military campaign in order to avoid what assuredly would turn out

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<sup>23</sup> See p. 848.

to be a long argument. However, General Marshall did deplore dragging into the discussion details of form and other unimportant matters which served only to confuse issues. There was little General Marshall was able to say in the face of an open resumption of a military campaign in Manchuria, a campaign which started right at the moment Government representatives were in Shanghai asking General Chou En Lai to return to Nanking to resume negotiations. This factor in combination with the fact that the Generalissimo did not return in four days as he said he would, served only to point to a tragic situation. The Third Party had asked General Marshall several times to request the Generalissimo to return. Actually General Chou En Lai had come to see General Marshall under pressure from Third Party principals.

After this dissertation by General Marshall on his conference with Chou En Lai, General Marshall asked General Yu Ta Wei a question concerning the Government's demobilization plans, as to when the reduction in armies and divisions was actually started. General Yu Ta Wei replied that the reductions started immediately after conclusion of the 25 February agreements.

General Marshall asked what was the strength of the reorganized divisions. General Yu Ta Wei explained that the plan was to reduce 3 division armies to 6 regiments and then later to 4 regiments. Taking the average strength of a regiment as 3,000 men, a division would have a strength of about 12,000 men. Actually with service and special troops, the strength probably came nearer to 14,000.

General Yu Ta Wei stated the Generalissimo arrived in Shanghai today and would come to Nanking tomorrow (28 Oct).

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Three Third Party Delegates: Mr. Lo Lung-chi, Mr. Miao Yun-tai, and Mr. Li Hwang*<sup>24</sup> at No. 5 Ning Hai Road, Nanking, October 27, 1946, 5:20 p. m.

Also present: Col. Hutchin

Mr. Lo Lung Chi informed General Marshall that the Third Party was now facing a crisis in their negotiations because of the recent capture of Antung by Nationalist forces. The Third Party had presented a plan containing three articles to the Communist delegation. Chou En-lai had unofficially accepted practically all three articles. The Third Party delegates were making arrangements for

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<sup>24</sup> Co-Chairman of the People's Political Council and a Chinese delegate to the United Nations Conference.



a meeting with Government representatives when they heard of the fall of Antung. They immediately called on Chou En-lai again, about 9 o'clock last night, and told him of their earlier meeting with the Chief of Staff, Chen Cheng, who confirmed the capture of Antung. Chou En-lai became very excited. He thought that the Communists should break off all negotiations and that there would be no use to proceed any further; however, he must await instructions from Yen-an.

General Marshall told the Third Party group that General Yu Ta-wei had come to see him because of a message sent this afternoon urging the Generalissimo to return. The Generalissimo was supposed to have arrived at 2 o'clock this afternoon. General Marshall recalled that he had previously told Third Party delegates that he did not wish to enter the negotiations by asking the Generalissimo to return. However, the Generalissimo's absence coupled with the current military campaign was now detrimental to the whole situation. General Yu had reported that the Generalissimo was in Shanghai, and that he would arrive here tomorrow morning (28 October).

General Marshall had just talked to General Yu Ta-wei about military operations. There was a possible explanation for the Nationalist capture of Antung, but so far, there was none offered for the offensive against Chefoo. Several days ago, General Marshall was told by the Chief of Staff, Chen Cheng, that the Government had, in the north, one army of its Youth Corps which was preparing to return to North China for demobilization. The Government had just begun the concentration of this army when it was attacked between Fushun and Antung by Communist forces with the result that the demobilization program had to be stopped. General Yu explained the attack against Antung was a counter-attack against the very same Communist forces that had disrupted the demobilization of the Youth Corps. The Government was much surprised to find so little resistance and to have Antung fall in their hands so quickly. This was the possible excuse for Antung, but to date none had been offered for Chefoo.

General Marshall then explained that during these past months, he has encountered similar actions and procedures on both sides. He urged the Third Party delegates not to be too discouraged over what had happened; it had happened several times before and it may happen again. It was decidedly a two-sided proposition. Maybe some day, they could get both sides together. At present, the Third Party must sit squarely in the middle and remember that both sides are responsible for their seeming inability to agree. The Third Party should be even more determined. The Generalissimo is coming back tomorrow. General Marshall suggested that the Third Party delegates carry their points up to the Generalissimo and to his advisors. In this respect, the way or manner in which the subject was to be presented was very important.

Mr. Lo Lung Chi asked General Marshall what he thought of the three articles. He then enunciated the three articles as follows:

1. All troops throughout the country were to remain in their present locations, and the cessation of hostilities was to take effect immediately.
2. The local governments throughout China, including Manchuria, would be decided by the State Council.
3. The five decisions of the PCC would be carried out in accordance with the PCC procedure specified.

As to convening the National Assembly on 12 November, Dr. Lo Lung Chi said that the Third Party was giving consideration to having an opening ceremony on 12 November but postponing all business until a month later for the purpose of awaiting arrivals of the delegates.

Mr. Miao elaborated on this point, stating that they would go ahead with the work of the PCC steering committee, particularly with reference to having reorganization of the Government, and to insure full participation of the National Assembly.

At this point, General Marshall explained that an indefinite delay in the business of the National Assembly would probably be fatal. It would most likely lead to a winter campaign of total war. There wouldn't be any hope of maintaining a cessation of hostilities. It is an impractical proposition to reorganize the Government in a short space of time such as a few weeks. It is of paramount importance that the Third Party delegates do everything possible to get the National Assembly in action early. They should get the State Council established and make it a going concern. At least, in that body, there would be a place for debate and discussion. Time is of the essence, and in all of this it is essential to keep in mind the present weakness of Executive Headquarters which has been brought about by provocative propaganda against the Americans.

Mr. Miao said that the Third Party realized they should stand absolutely impartial in the middle. First, they should bring about cessation of hostilities, and this should be accomplished by an agreement to specific proposals such as the first article of their proposition. The chief purpose in having only three articles was their desire to boil it down to an absolute minimum.

General Marshall said that their first point was certainly sound. Their second point was just a question of getting the Government to agree to it. The third point could possibly lay them open to several pitfalls, particularly in getting involved in detailed procedure. In this respect, General Marshall's observations were confined largely to reorganization of the government proposition and to the delegates to the National Assembly. Both of these problems are matters of procedure where it will be necessary to make compromises. What the

Third Party wants to do is to preserve the condition that the Government will be reorganized at some time in the near future, not in three or four years, but within some stipulated period.

Mr. Lo Lung Chi stated that the Communists want assurance that the Government will be reorganized, and the Government wants assurance from the Communists that they will participate in the National Assembly. The Third Party must provide this assurance for both sides. Mr. Lo wondered if General Marshall would use his influence on the Generalissimo to stop this military campaign or at least slow it down. There was no use in the Government taking one or two more places. The Government should wait and give the Third Party a chance to do its work.

General Marshall said he would and again emphasized the necessity for going ahead with the National Assembly and for the Third Party to avoid getting involved in statements which were too general or too detailed. He suggested that the Third Party, when presenting their proposal to the Generalissimo, take up the political issues first, and then the military situation. Otherwise, they may never get to discuss the political issues.

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Marshall Mission Files, Lot 54-D270

*Notes on Meeting Between General Marshall, Mr. Carsun Chang, and Dr. Lo Lung-chi at No. 5 Ning Hai Road, Nanking, October 28, 1946, 10:30 a.m.*

Also present: Col. Hutchin

Mr. Carsun Chang, referring to the meeting yesterday afternoon in which Mr. Lo Lung Chi had participated, said that he considered it most important for the Third Party to obtain a list of Communist delegates to the National Assembly to present to the Government. He felt this was essential if they are going to be able to make their three-article proposal acceptable to both sides. However, the Third Party is confronted with a situation where the Government does not wish to make any further concessions than already enunciated in the eight-point statement of the Generalissimo, the night of 16 October. Mr. Chang said that if the Government does not make any political concessions, the suggestions of the Third Party will be considerably less acceptable to the Communists. The Communists felt that they must insist upon the reorganization of the Executive Yuan prior to designating their delegates to the National Assembly.

Dr. Lo Lung Chi also thought that the Government attitude was rather stiff and formal; that the Government was unwilling to make any concessions on the political side. If the Government expects the



Communists to give up their army, which is the basis of present day Communist power, then the Government must make some political concessions which would insure broadening the basis of the Government and participation therein by representatives of other parties.

General Marshall reiterated that the Communists maintain a position to the effect that they do not dispute the provisions of 25 February Agreement though a modification in Manchuria is required. The Government is asking for more changes. The Communists claim that they were excused from not complying with the 25 February Agreement, insofar as furnishing the list of their military units and their locations is concerned, because of the fighting in Manchuria. The Communists maintain that they wish to stop the fighting and that they wish to adhere, generally, to the 25 February Agreement.

The Communists make a strong demand that both sides adhere to the 10 January agreement. Since May, they have demanded unconditional cessation of hostilities, but according to the Communists, the Government always makes conditions. That is, the Government states certain conditions precedent to a cessation of hostilities. This encourages the Communists to counter with other conditions or arguments, usually of a political nature.

At first, the Government conditions or provisos were relative [ly] simple, but they served to complicate getting a cessation of hostilities order issued. Except for the locations and dispositions of troops, which are always more or less complicated, the Generalissimo's demand that in all cases of dispute or disagreement, which formerly required unanimous vote, the American should cast the deciding vote. Later there came the local government issue in northern Kiangsu, concerning Chengteh, the Tsingtao-Tsinan Railroad, and Antung.

Now the Government brings to the front the demands of late August and September for the designation by the Communists of their delegates to the National Assembly as a condition precedent to an armistice. That brought up the Communists' insistence on the convening of the Constitutional Draft Committee. It looked like it was going to be impossible to get any of the agreements finalized, but if we could turn to one thing and get that one thing agreed to, perhaps then other items or issues such as the cessation of hostilities could be settled. It was then that General Marshall and Dr. Stuart brought up the proposal for the informal Five Man Committee to meet and settle issues pertaining to the organization of the State Council. They then got more and more into the political situation, always keeping in the back of their minds the Communist demand for unconditional cessation of hostilities. The designation of the Communist delegates to the National Assembly and the local government problem in Manchuria remained as unsettled issues.

Carsun Chang considered that it might be possible for local government issues to be settled by the State Council. He thought that it would even be possible to settle the Manchurian army problem insofar as the Communists were concerned, if the Communists could participate in local governments.

Dr. Lo Lung Chi emphasized that the Communists' main wish was to carry out the PCC resolutions in accordance with PCC procedure and to afford protection to the PCC resolutions so as to not permit unacceptable revisions.

General Marshall emphasized that was exactly what he talked about yesterday, i. e., procedure. He emphasized that avoidable delays in proceeding to the business of the National Assembly would be fatal to the continuance of an armistice. It was an impractical proposition to assume that the Government could be reorganized in a few weeks time. In addition, the Third Party must be extremely careful to avoid submerging the crux of the issues in a mass of details or allowing themselves to be side-tracked in the matter of getting agreement on a particular detail.

Dr. Lo Lung Chi felt that what the Generalissimo wanted most was the National Assembly to meet as scheduled. Dr. Lo felt that the Communists had broken many of their promises, but that the Generalissimo had broken even more. This made the Third Party possibility of success remote. The Third Party wanted a democracy, at least an elementary stage of democracy.

General Marshall then explained again for the benefit of Carsun Chang and Lo Lung Chi what was meant by "a coalition government". Mr. Chang considered that a democracy would best give protection to principles for which the Third Party stood. He wanted protection for the liberal press and freedom of speech. It seems that the more military power the Kuomintang Party acquired or the stronger its army became, the less democratic the government was. The Generalissimo was a dictator and had been a dictator for almost 20 years. He was accustomed to complete and unquestioned authority. Even if the State Council were established, and according to protocol allowed a meeting once every two weeks, it would be very easy for the Generalissimo to set the State Council aside and ignore it.

Dr. Lo Lung Chi said he was tired of the corruption which existed now in the Executive Yuan. He thought probably some new man should take over the job of running the Government; a new man with a new psychology. The Executive Yuan was the only real power in the Government and it should be reorganized. The State Council in itself would not be strong enough to rid the Executive Yuan of its incompetence and corruption. It took seven years alone to get rid

of H. H. Kung.<sup>25</sup> Maybe it is because the Soviet Union and the United States are *not* on such good terms that the Generalissimo felt he will always have the support of the United States Government through thick and thin.

General Marshall stated that the Government officials had been disillusioned and discouraged considerably in that belief. He realized there was this feeling that the United States would have to go along with the Kuomintang Party government, but it had been stated that this was a decided misconception. He felt that they had been disabused by virtue of the fact that they haven't been receiving military supplies or munitions from the United States for many months.

Dr. Lo Lung Chi thought that the reorganization of the Executive Yuan must come first, even before the National Assembly. The time between now and 12 November was inadequate. However, if the Executive Yuan were reorganized and the National Assembly convened, the stage would be set to have a fair election. There would be little use in having an election which could be controlled by one party. It was important to reorganize the Executive Yuan if the other parties were to have a chance. Right now, the Minister of the Interior controls the police, gestapo, secret service, etc. There would be no one in the Executive Yuan to check on the elections until such time as the Government would be reorganized.

Mr. Carsun Chang had told some of the Government leaders that they must slow down their military campaign; that they are only making the situation worse. The chances of success in Third-Party mediation were very limited. It might even be necessary for the Third Party delegates to go on back to Shanghai. It was of great importance that they get some political concessions from the Government; that the Government should give up their attitude of being the victor over the vanquished. He again said that the people think the United States is forced to support the Government because of Soviet foreign policy.

Dr. Lo Lung Chi told General Marshall that he could never realize what China and the Chinese people thought of him and his influence. It was tremendous. It was felt that General Marshall and the influence of the United States could help China become democratic. As to reorganization of the Executive Yuan, the Government should give up seven or eight seats, three to five of which could be ministers without portfolio. The Communists want two ministers, the Democratic League wants one, and possibly the non-party group should have one, making a total of four non-Kuomintang ministers *with* portfolio which, added to four ministers *without* portfolio, makes the total of eight.

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<sup>25</sup> Former Vice President of the Executive Yuan and Minister of Finance.



Marshall Mission Files, Lot 54-D270

*Notes on Meeting Between General Marshall and Dr. Stuart at the American Embassy, Nanking, October 29, 1946, 10: 45 a. m.*

Also present: Colonel Hutchin

Doctor Stuart reported that the Third Party Group had sent the following proposals to the Generalissimo:

"Third Group Proposals

Peace is the consistent objective of the Central Government, and the cessation of hostilities has steadily been its hope. We are all moved by the sufferings of the people and realize that a speedy solution should be found. We have therefore proposed three points in the hope that both sides may reach an understanding and very promptly stop the fighting.

1. Both sides at once issue a cease firing order, the troops to remain in their present positions. The procedure for ceasing hostilities and restoring communications will be effected by the Three Man Committee through Executive Headquarters and its field teams. The troops of both sides are to be reorganized according to the previous agreements. Their allocation is to be dealt with by the Three Man Committee. (The location of Communist troops in Manchuria should be determined in advance in Tsitsihar, Peian, Chiang Mu-ssu).

2. Local administration throughout the nation should be arranged by the reorganized State Council according to the PCC and Peaceful Reconstruction resolutions. Wherever there is dispute the military and civil issues should be separately dealt with without delay. But along the Changchun Railway, except for hsien already occupied by the Government, the Government should dispatch railway police to take over.

3. According to the resolutions of the PCC and the adopted procedure, the Steering Committee should be convened in order to plan the reorganization of the Government, in which case all parties will join the Government and discuss the question of calling the National Assembly, thus making it possible for all to take part in its meetings. At the same time the Constitutional Draft Committee should be convened in order to complete its revision.

(Signed) Mo Te-hui  
Carson Chang  
Li Huang  
Huang Yen-pei  
Miao Chia-ming  
Tso Shun-sheng  
Liang Shu-min  
Yu Chia-chu  
Chang Po-chun  
Chen Chi-t'ien  
Lo Lung-chi  
Hsu Fu-liu[""]

Doctor Stuart said that the Generalissimo feels he is unable to accept this program. He has sent for the Third Party delegates to

come to his house at 11:00 o'clock this morning where he will tell the Third Party Group that they should have taken his own eight-point statement of 16 September [*October*] as a basis. The Generalissimo wanted Doctor Stuart to ask Hu Lin and Carson Chang to have a further conference on this matter.

General Marshall then read to Doctor Stuart the principal portions of the minutes of his meeting with Chou En Lai on 26 October. General Chou had come to see General Marshall upon the urging of the Third Party Group. His continuous reference to his membership on the Committee of Three and General Marshall's membership on the Committee of Three was not clear at the time of the meeting, but later consideration introduced the thought that this was possibly Chou En Lai's left handed way of putting General Marshall back into the position of mediator.

General Marshall then read extracts of the notes on his two meetings with Lo Lung Chi, [at] one of which Carson Chang was present. General Marshall emphasized to the Third Party delegates the importance of avoiding being submerged in a mass of petty detail, and concentrating on fundamental issues. He suggested that they concentrate on the local government problem in Manchuria and upon the Kalgan-Harbin issue. These two points could be made the basis of an agreement.

However the Third Party delegates brought up repeatedly the apparent importance of the reorganization of the Executive Yuan. General Marshall explained first that the Generalissimo probably would not accept at this time any proposition for the reorganization of the Executive Yuan, and second, that the time remaining between now and the convening of the National Assembly would not permit of such reorganization. He related the Communist point of view was to demand this reorganization prior to the designation of their delegates to the National Assembly. General Marshall also explained that any indefinite delay in the business of the National Assembly would probably prove fatal. Fighting would probably start up again and it was getting increasingly difficult for the Executive Headquarters and its field teams to control this fighting with any degree of effectiveness, largely because of the vituperative propaganda presently being put out by Communist news agencies and its effect on the rank and file of the Communist troops.

General Marshall then described his meeting of last evening with the Generalissimo. He had told the Generalissimo what he and Doctor Stuart had been doing, that they had seen Chou En Lai. He recited recent events, events which were encouraging as well as events which were discouraging, and then expanded upon the present efforts

of the Third Party and how the Third Party felt very discouraged, wanting to drop everything and go back to Shanghai.

General Marshall had tried to reestablish some courage in the Third Party members and to prevail upon them not to go back to Shanghai. However, he told the Generalissimo, the present Government military campaigns had about ruined any prospects of an agreement.

The Generalissimo asked General Marshall what his opinion was as to the position and intentions of the Communists. General Marshall told the Generalissimo that practically nothing the Government would say, the Communists would believe. They are convinced that the Government [intention] is to annihilate the Communist forces and to destroy the Communist Party. They point to the recent campaign against Antung, for which the Government has offered some excuse, and the campaign now in progress against Chefoo, for which the Government has offered no excuse. These military campaigns, coupled with the Generalissimo's absence from town, served to destroy in the minds of the Communists any prospect for reaching an agreement.

General Marshall also told the Generalissimo that the Communists have no idea of surrender. They do want a complete cessation of hostilities but they don't know how to go about getting it now. The Communists have lost cities and towns but they have not lost their armies. It is probable that the Communists will not lose their armies as they have no intention of making a stand or a fight to the finish at any place. The Communists are turning their attention to weak points and striking where they can. No doubt the Generalissimo could take Harbin, but then the Government would be in for endless tribulation.

Added to this distrust of motives of the Generalissimo and the Kuomintang Party leaders, the Communists now feel they are unable to trust even an American. The Generalissimo did say that the time had come to stop the fighting but had asked General Marshall not to say anything about this to the Third Party delegates.

General Marshall told Doctor Stuart he then explained to the Generalissimo that the Third Party Group appeared to be the only hope in the situation. He urged the Generalissimo to show every consideration to Third Party leaders and to build up their prestige by making some concessions and encouraging the delegates to conferences with him and to speak frankly. He then asked the Generalissimo to meet with the Third Party delegates the next morning, that would be this morning (29 Oct), and to listen to all their proposals or views. The Generalissimo said that he would and told



General Marshall that he had invited his own leaders in for dinner that evening (28 Oct).

General Marshall then told Doctor Stuart that he had been informed this morning that Tu Li Ming <sup>26</sup> is deploying his forces for an attack on Harbin which is expected to be launched about 15 November.

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893.00/10-3046 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 30, 1946.

[Received October 30—12:48 a. m.]

1759. Following is news report dated October 27 of interview given by Dr. Sun Fo on six points of difference deriving from presentation to the Communists of Gmo's eight point proposal for peace:

"The six points are:

1. Communist garrison areas in Manchuria. Dr. Sun Fo said that the Manchurian cease fire agreement made in June allocated two and a half provinces in Manchuria to the Communists as garrison areas, but the agreement was not signed at that time because of the dispute over Antung. He said, however, that now the Communists claimed that there never had been an agreement regarding the allocation of two and a half provinces to the Communists and that the only stipulation in the Manchurian cease fire agreement in June was with regard to Harbin.

2. Whether the question of local administration should be settled at the informal talks or left to the reorganized State Council.

3. A draft of the constitution be presented to the National Assembly. Sun Fo here also indicated that the government wanted the 'double fifth' draft of the constitution to be considered as the official draft since there is not sufficient time for the PCC Draft Constitution Reviewing Committee to work out a final form of the PCC draft constitution agreeable to all sides.

4. Communist refusal to participate in the National Assembly before the reorganization of the Government.

5. Whether the reorganization of the State Council and the Executive Yuan should be carried out simultaneously. Sun Fo said that according to the PCC resolutions the State Council should be reorganized first, followed by the reshuffling of the Executive Yuan. He compared the State Council to the mother and the Executive Yuan to the son. "There must be a mother first before you can have a son", he said.

6. The number of Cabinet posts to be given the non-Kuomintang parties.

In the interview Sun Fo disclosed that Democratic Party leader Lo Lung Chi had demanded seven or eight portfolios for the Communists and Third Party members."

STUART

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<sup>26</sup> Chinese commander in Manchuria.

893.00/10-3046 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 30, 1946.

[Received October 30—8:38 a. m.]

1765. Mukden reports as follows:

Government capture Antung October 25 after 7-day campaign against slight Communist resistance officially confirmed.

Observers list Government gains as follows: Use of Antung port facilities and overland communication thereto; cutting of reported Communist communications with Shantung; relief of Government positions South Manchuria from Communist pressure; and possibility take over Yalu River power plant.

STUART

893.00/10-3046 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 30, 1946.

[Received October 30—9 a. m.]

1769. Following is refutation by Communist spokesman [at] Nanking, published October 28, of Dr. Sun Fo's recent statement regarding six point difference in Communist and Central Govt peace negotiations (See Embtel 1759, October 30) :

"In a statement released yesterday evening, the spokesman of the Communist Delegation in Nanking refuted Dr. Sun Fo's recent statement and outlined the Communist position vis-à-vis the Antung incident. The text of the statement reads as follows:

1. In his interview with the Central News, chief government representative Dr. Sun Fo said that government troops only 'took over' Antung and [had] not attacked and occupied it. If that were true, Government troops could, under the pretext of 'taking over', continue to wage the civil war not only in Manchuria but also in China proper. It is something regrettable that word of this kind should have escaped from the mouth of Dr. Sun who used to advocate peace. It has, however, fully exposed the intention of the Government.

2. In another statement, Dr. Sun Fo insisted that peace negotiations should be conducted on the basis laid down by President Chiang in his eight point proposal. From this, it is evident that the government has slighted the peace efforts which the third parties exerted for the past week. Besides, Dr. Sun also made many mistakes in his explanation of the eight points.

3. Dr. Sun said that the discussions on 'local government are to be limited to China proper. ['] This not only clearly points out that Manchuria will be excluded, but also indicates that Chinese Communists will be forced to agree to the illegal seizure of territories by government troops and the destruction of local democratic ad-

ministration in them. The government has once more refused to recognize the existence of anti-Japanese forces led by Chinese Communists on Hainan Island. Dr. Sun held that the Executive Yuan should not be reorganized before the convention of the National Assembly, yet he insisted that various parties should submit the name lists of their delegates to the National Assembly before a cessation of hostilities. These are violations of the resolutions passed at the political consultation conference.

In summing up the above points, there are ample evidences—government insistence on the eight point proposal in which Chinese Communists do not concur, the occupation of Antung, and the continuation of the civil war during the peace negotiations—that the government has not the slightest sincerity [in] peace talks, and that its peace offensive is but a fake.”

STUART

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Marshall Mission Files, Lot 54-D270

*Notes on Meeting Between General Marshall and General C. P. Lee at General Marshall's Residence, Nanking, October 30, 1946, 10:30 a. m.*

Also present: Captain Soong

General Li stated that he had seen Mr. Tung Pi Wu yesterday. During the course of the conversation Mr. Tung stated that the Communist Party had made large concessions during the current negotiations and that it had tried its best to adapt itself to the situation. General Li related three important points, upon which the Communists insisted, made by Mister Tung:

(1) The reorganization of the State Council and the Executive Yuan must be carried out simultaneously;

(2) It must be made clear in the Draft Constitution that the president of the Executive Yuan (who is nominated by the President with the concurrence of the Legislative Yuan, and the Executive Yuan) must be responsible to the Legislative Yuan;

(3) The list of names of the Communist delegates to the National Assembly must be handed to the Government only after the State Council and the Executive Yuan are reorganized.

Mr. Tung also emphasized the importance of carrying out the PCC resolutions. General Li then explained that there are over fifteen Ministries within the Executive Yuan and it is his impression that the Communist Party would want the Ministers of seven or eight of the Ministries to be Communist Members or Third Party Members.

General Marshall said that the resolutions of the PCC were made possible by the accepted plan for neutralization of the army. That factor was again closely involved in the present situation. In other words, an exact compliance with the detailed procedure stipulated



in the PCC agreements was limited by the unbalanced military situation. General Marshall then went on to discuss the possibilities of a compromise in the problem of reorganizing the Executive Yuan by awarding certain cabinet positions to the Communist and Third Party members. In this connection General Li suggested a list of names of Third Party members who he thought would be qualified for such positions. General Li also suggested that if the Government could announce a change of the cabinet members by appointing the Communist Party and Third Party members to such positions, the Communist Party might be persuaded to hand into the Government the names of its delegates to the National Assembly. General Marshall thought that this might be a good suggestion.

General Li then told General Marshall that he had had a talk with Mr. Mo Teh-hui yesterday. It seemed to Mr. Mo that the present situation depends entirely on the willingness of the Generalissimo to have the issues solved. Mr. Mo felt that the Generalissimo means to replace some of the people immediately surrounding him with some liberal-minded people who can exert a certain amount of influence on the Generalissimo.

General Marshall's comment was that this procedure would not be practical because the party's political power for action would remain in the hands of those who now dominated the party.

General Li then said that many of the students of political science seemed to think that General Marshall is the only one today who can exert pressure on the Generalissimo and that much of the future of China depends on General Marshall's effort.

General Marshall replied that he exerted his full power to influence the Government but when successful it was only to find the Communists unwilling to accept the proposals because of suspicion. Therefore, without the cooperation of the Communists General Marshall could not do very much.

General Li then suggested that General Marshall should see Mr. Mo Teh-hui and Mr. Hu Lin to listen to what they had to express.

General Marshall agreed.

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Dr. Stuart at  
No. 5 Ning Hai Road, Nanking, October 30, 1946, 5:30 p. m.*

Also present: Colonel Caughey

Doctor Stuart reported that he had seen Mister Hu Lin, Editor of *Ta Kung Pao*, who indicated that, as a result of the conference with General Chou, he (Mr. Hu) felt that General Chou was of the opinion

that the Third Party had bungled their participation in the negotiations. Mister Hu was of the opinion that General Chou En Lai had completely baffled and won out over the Third Party in all of the discussions that took place.

Doctor Stuart then reported that he had seen the Generalissimo today. Doctor Stuart said he told the Generalissimo that during his lifetime he had taken two major steps: the first, when he joined the Kuomintang Party for the purpose of instituting reforms in China; and the second, when he became a Christian. Doctor Stuart continued by stating that he encouraged the Generalissimo to take a third major step toward solving the present difficulties and establishing a democratic nation. The Generalissimo then asked Doctor Stuart how he might take this third step. Doctor Stuart stated that he had told the Generalissimo that he should: reduce the army to a modern armed force which would not prey upon, but rather protect the people; reform civil administration with respect to both the Central Government itself and the local governments in the various provinces. Doctor Stuart had advised the Generalissimo that he could accomplish the governmental reform through the intellectuals and by establishing immediately a national assembly with ample opportunity for the Communists to participate therein. Doctor Stuart said the Generalissimo then stated he was ready to make two additional concessions (see inclosure).

General Marshall told Doctor Stuart that he was rather impressed with the conversation he had had with General C. P. Lee this morning and that General Lee had been talking with Mister Mo Teh-hui and Mister Tung Pi-wu. General Marshall stated that the reason he was impressed with General Lee's comments was that General Lee had attempted to reduce the various outstanding issues to a practical basis with the object of establishing a *modus operandi* for continued negotiations.

General Marshall stated that he had discussed with Mister Hu Lin, on a previous occasion, the question of what ministers the Communists might want in a reorganized Executive Yuan. After a discussion, General Marshall and Doctor Stuart agreed that the Communists might logically hold positions of responsibility in the Ministry of Agriculture, Ministry of Communications (this was considered a very attractive idea by General Marshall, although he realized resistance would be strong by the Government, since a Communist Minister of Communications could not afford to fail in his job placing the failure in the lap of the whole Communist Party); Control Yuan.

[Enclosure]

*Additional Concessions Proposed by Generalissimo Chiang Kai-shek*

[NANKING,] October 30, 1946.

1. Cease-fire order will apply to Manchuria as well as within the Great Wall. The military dispositions are to follow the June settlement. Local administration will be dealt with uniformly everywhere.

2. All cities and hsien along the Chang Chun Railway trunkline, except for those already taken by the Government, will not be taken before the reorganization of the State Council.

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893.00/10-3146 : Telegram*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 31, 1946.

[Received October 31—6 a. m.]

1780. Minister of Information at weekly press conference October 30 made following statements:

Query. What is present political situation and what is present military situation? Answer: Peace negotiations are continuing. Central Government is still hopeful that solution may be found very soon, because it does not see why the very reasonable and conciliatory eight-point statement of President Chiang could not be accepted.

Query. What did you mean by your statement last Wednesday that armed conflicts are coming to an end? Answer: I meant that armed conflicts had daily been becoming localized and that only minor clashes were in evidence.

STUART

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893.00B/10-3146*The Ambassador in China (Stuart) to the Secretary of State*

No. 231

NANKING, October 31, 1946.

[Received November 15.]

SIR: I have the honor to refer to my despatch no. 28 of August 5, 1946 entitled "Return to China of Li Li-san"<sup>27</sup> and to enclose a copy of a report<sup>27</sup> supplied by the Intelligence Section of the Ministry of National Defense which purports to show that Li Li-san returned to China "at the behest of Soviet Russia" and that he is the leader of a schismatic movement against the leadership of Mao Tse-tung, Chairman of the Chinese Communist Party. It has come to my attention

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<sup>27</sup> Not printed.



that the same and similar reports have been handed to a number of American newspapermen for "their confidential information" by officials of the Central Government or have been published in one form or another in pro-Kuomintang vernacular newspapers in north China.

The possibility of a split in the Chinese Communist Party can not be ignored, but available information tends to show that at the present time such a split is most improbable. Current reports with regard to the development of a line of cleavage between a "nationalist" group and a "pro-Russian" group within the Chinese Communist Party are likely to come from wishful thinking supporters of the Central Government or are inspired to dissuade foreign observers from belief in the essential solidarity of the Chinese Communists.

In this same general connection, reference is made to my despatch no. 96 of September 4, 1946<sup>28</sup> commenting on the reported contemplated disaffection of General Ch'en Yi, Commander of the Communist New Fourth Army, and to my despatch no. 208 of October 23, 1946<sup>28</sup> reporting that the original report had withered under examination and that the possibility of a bargain between Ch'en Yi and the Central Government, as described in the enclosure to my despatch no. 96, appeared extremely remote.

As reported previously to the Department, it is freely admitted by the Chinese Communists that Li Li-san returned to China with Soviet troops when they entered Manchuria in 1945 and therefore his return was with the knowledge and consent, if not the actual sponsorship, of Soviet authorities. It is most unlikely that he would have been allowed to leave Russia, least of all for return to China, had he not been deemed trustworthy by the Kremlin. It does not necessarily follow, however, that Li Li-san, after nearly fifteen years' absence from China, is in position seriously to challenge the authority of Mao Tse-tung at this early date, even assuming that such was his purpose in returning to China. Newspapermen who have interviewed Li in Manchuria and others who have discussed his return with Communists at various places in China, including Yenan, have received the standard reply that Li has recognized the fallacy of his former beliefs and has been welcomed back into the Party fold as a faithful follower and disciple of Chairman Mao Tse-tung. Officers of the Embassy who have expressed interest in Li's return to members of the Communist delegation at Nanking have been offered the same recanting-sinner-returning-to-the-faith explanation.

Wherein the enclosed report states that Li Li-san has proposed that the Northeast be made the principal Chinese Communist base, it strikes a reasonable note. If Kuomintang military successes continue as they have in recent months, the Chinese Communist position in north China

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<sup>28</sup> Not printed.

will shortly be no better, or may be even worse, than under the Japanese occupation—namely hemmed into marginal subsistence areas. On the other hand, in northern and western Manchuria the Communists from an economic point of view would have the advantage of richer areas and from a military point of view would enjoy far greater maneuver room. In addition, they would be within more easy reach of their ideological brethren and potential supporters.

It is on questions such as this that there may be broad differences of opinion within the Chinese Communist hierarchy. It is also likely that differences of opinion exist with regard to whether it is advantageous to continue the present inter-party negotiations or to terminate them. Another controversial question may well arise with regard to the tempo of agrarian reform (Embassy despatch no. 45 of August 12, 1946<sup>29</sup>). Other seeming differences result from time to time through faulty communications. Among Communist units and between Communist-controlled areas “the voice of command” often fails through faulty communication equipment, poor technical maintenance, and the exigencies of a guerilla existence. All such differences, however, are not apparent outside of the Party, and once a policy decision is reached and a course set there is universality of expressed opinion to the point of nerve wracking monotony.

This universality of expressed opinion on basic doctrine is the most prominent manifestation of Chinese Communist solidarity. It reaches its highest development at Yen-an, but it is also evident in other Communist-controlled areas, regardless of how widely separated and in the face of differing physical environment. Therefore, the question of whether or not Li Li-san is an emissary of Moscow is somewhat academic. There has always been a predilection in Chinese Communist Party public statements and the Party press towards following closely the Soviet Communist Party line. Formerly the similarity was confined to broad ideological generalizations. Since early 1946, however, following a Yen-an statement of policy with regard to Manchuria (Embassy despatch no. 1166 of February 28<sup>30</sup>) the Chinese Communists’ general tendency to follow a Soviet line has become more clearly a matter of firm policy. This is manifested most obviously in Yen-an statements which follow automatically Soviet releases and statements concerning specific problems in the Far East and events in other areas of the world. Concomitantly, current Chinese Communist anti-American fulminations apparently receive similar prominence in the Soviet press. Incidentally, foreign correspondents and other observers are still searching—but thus far without success—for a Chinese Communist who is in any state but one of complete agreement with all Soviet actions.

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<sup>29</sup> Not printed.

<sup>30</sup> Vol. ix, p. 448.

There has never been substantive proof put forth, even by the Central Government which stands to gain the most thereby, that the Chinese Communist Party has been actively supported by the Soviet Union. Such proof, however, is not important. What is important is that the affinity should not be misunderstood and underestimated. Revulsion at the manifest corruption and ineptitude of the Kuomintang leads foreign observers and many Chinese liberals and intellectuals to view sympathetically that which is non-Kuomintang. The result is they tend to regard the Chinese Communists as agrarian reformers and to lose sight of the fact that they are not agrarian reformers *per se*, but play the role because it is required by the environment in which they find themselves and is merely a tactical phase in the overall strategy of the eventual realization of a Communist state. Liberal apologists of the "agrarian reform" school of thought too often fail to point out that top Chinese Communist leaders themselves are the first frankly to admit that in ideology and aim they are Marxist Communists, but that existing social and economic conditions in China make the early achievement of their end impossible and therefore it is necessary to adopt such interim measures, even of democratic and capitalistic coloration, which may be necessary for the achievement of the end, however long the period.

In retrospect it may be considered that the period between the arrival of the United States Army Observer Section at Yen-an in July 1944 and the recall of General Joseph W. Stilwell from command of the China, Burma and India Theater in October 1944 constituted the era of good feeling in Chinese Communist-American relations. During that period, in the face of external Japanese pressure and the non-participation of the Soviet Union in the Far Eastern war, the theory that the Chinese Communists could be weaned from basic ideology, and thus potential satellites of the Soviet Union, was tested. The test was inconclusive because the attitude of the Central Government prevented the granting of material American aid for use against the Japanese and the unfolding strategy of war in the Pacific required no combat landing on the coast of north China. It was always apparent at Yen-an and in Communist forward areas, however, that top Communist leaders were firmly Marxist Communists and however unpalatable the term "communist" might be to Americans, no ideological deviations could be expected other than those which were tactically necessary to meet the immediate requirements of a given situation. There is no reason to believe that there has been any change in this attitude.

As pointed out above, there has undoubtedly been considerable divergence of opinion within the inner circles of the Chinese Communist Party with regard to policy. Such differences, largely on tactical



procedures, may be expected to continue, but it is characteristic of Communist Party discipline, not alone in China, that once policy decisions are reached there is presented to non-believers a solid party front. In China perhaps no other group is more keenly aware of the need for unity of action than the Communists, particularly at the present time when failure to maintain a solid front would inevitably ensure their destruction. Furthermore, it may be anticipated that the Central Government will foster for foreign consumption the belief that the Communist Party is disintegrating into numerous factions without unity as a political party and therefore the systematic elimination by force of disassociated and heterogeneous factions may be expected to be more palatable abroad than would be an all-out offensive to eliminate an organized party in opposition to the Government. The period of "civil war" may well be drawing to a close to be replaced by a new era of "bandit suppression" campaigns.

Respectfully yours,

For the Ambassador :  
W. WALTON BUTTERWORTH  
*Minister-Counselor of Embassy*

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893.00/10-3146

*The Ambassador in China (Stuart) to the Secretary of State*

No. 232

NANKING, October 31, 1946.  
[Received November 27.]

SIR: I have the honor to continue the report of attempted peace negotiations by the minority parties and a few nonparty leaders. These were begun in Shanghai where General Chou En-lai had been keeping himself for some weeks, thus dramatizing his withdrawal from the mediation efforts of General Marshall and myself. Dr. Sun Fo joined in the Shanghai conferences as did a few other representatives of the Government. Finally General Chou was prevailed upon to return to the capital with the members of the so-called Third Group. It has since been disclosed that before doing so he cleverly secured the signatures of the two minority party leaders to an agreement by which they bound themselves to act with the Communists either in attending or boycotting the program for a coalition government and the National Assembly.

The conferences continued in Nanking, General Marshall and I keeping in touch with them but trying scrupulously to avoid any appearance even of interfering with this purely Chinese attempt at a solution. As had happened more than once before, it seemed that a solution had been almost reached when the Government-captured city

of Antung on the Korean border produced a violent emotional reaction among the Communists, who withdrew from further discussions.

General Chou En-lai called on me one afternoon looking rather distraught and haggard. He had lost his characteristic vivacity and spoke without enthusiasm. In the course of the discussion he reviewed the eight points in President Chiang's open letter of October 17 finding fault with almost every one, although at least three were definite concessions to the Communists extracted from President Chiang by General Marshall. The total impression made upon me by that interview was that he was in a state of mind which prevented him from seeing any good in the Government attitude and very little in that of the American mediators, so warped had all facts become when seen through the fog of deep suspicion and mistrust which had become even thicker.

A day or so later he called on General Marshall, who graciously kept him for lunch. The conversation, while dealing more with military questions, seemed to me to be equally hopeless as far as any basis in any common outlook was concerned.

Meanwhile, the Third Group prepared their proposals which, after several revisions, were presented to Government and Communist delegates on October 28. A few hours later they were withdrawn upon General Chou's objection to several points. On October 29 President Chiang received the delegates cordially but pointed out that as mediators they should have confined themselves to the eight points of his communication or have brought counterproposals from the other side rather than themselves to propose a solution.

The Government has been taking advantage of this delay to carry on offensive military operations with a view to destroying Communist bases and in general to weaken their military position. This is, of course, contrary to the spirit of mediation and aggravates the American embarrassment. They doubtless justify themselves by the expectation that this will make the Communists more reasonable and probably lead them to come into the coalition government. Underlying this action is the same distrust of Communist promises and the determination to avoid another cease-firing order as futile as the one of January 13 has proven to be. There is no indication as yet, however, that the Communists, who are enured to defeats, retreats and hardships, will come to terms. Their armed forces are still in the main intact and by withdrawing to inaccessible mountain fastnesses, they can still carry on harassing guerilla warfare.

The Government apparently intends to hold the National Assembly with or without the participation of the other recognized parties. All this would seem to indicate that the period of mediatorial efforts for a negotiated peace has passed. If so, the hope would seem to lie

in an acceptance by President Chiang and his associates of the responsibility of ending the period of one-party tutelage and establishing real democracy with the internal reforms that are so urgently required. This might emphasize the following features:

1. Reorganization of the Government troops so as to effect drastic reductions in numbers, improvement of the quality and the employment of those retained in defense against future Communist aggression, the suppression of local violence from whatever sources, and in general the maintenance of peace and order.

2. The real improvement of local administration, especially in areas recovered from Communists and those contiguous to territory held at present by them. In so far as this can be achieved and interest in local affairs be encouraged will Communism be most effectively overcome while at the same time beginning the practice of democracy.

3. Progress in the two above undertakings would be the surest method of economic recovery. The Chinese people, given a fair measure of stability, will not need much else from the Government in their economic activities. The Central Government could in the meantime be carrying out measures that could be extremely beneficial, such as land tenure reforms, more efficient taxation, communications, technological developments, et cetera.

It is not impossible that some such procedure as is suggested above would ultimately bring the Communists in as a political party, perhaps with the incorporation of their armed forces into those of the nation together with assistance in demobilization in part. If the policy set forth in President Truman's statement of December 15<sup>31</sup> and consistently advocated by General Marshall seems to have failed, there is at least the satisfaction of reminding ourselves that it has been given the most complete opportunity. I can testify as to the patience, tact, understanding sympathy, the frank but always constructive criticism, and in general the skill with which General Marshall has conducted these seemingly interminable negotiations. My own more recent and minor association in these has convinced me further that every approach has been explored and every effort exhausted to induce the Communists to cooperate and that they seem to be either unable or unwilling to do so under any practicable arrangement. That they themselves have honestly tried and sincerely feel that they have been thwarted despite their own repeated concessions and that Government leaders must take a large share of the blame for the failure can all be freely admitted, but the complex of twenty years of intense hatred, suspicion and fear, aggravated by the difficulty of large-scale, voluntary, cooperative effort inherent in the Chinese tradition and by the techniques of Communist discipline has had its natural fruition.

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<sup>31</sup> *United States Relations With China*, p. 607.



The above paragraphs have been written largely with a view to American policy as it must be reconsidered in the light of these developments. After further consultation with General Marshall and Embassy colleagues, suggestions on this important aspect of the matter may be forwarded in the near future.

Respectfully yours,

J. LEIGHTON STUART

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761.93/10-3146

*The Ambassador in China (Stuart) to the Secretary of State*

No. 245

NANKING, October 31, 1946.

[Received November 27.]

SIR: I have the honor to refer to my telegram no. 1755 of October 28, 1946, 4 p. m.,<sup>32</sup> concerning Sino-Soviet relations in Manchuria and to amplify further the comments on that subject made to me by the Foreign Minister.

On the basis of a suggestion made by T. V. Soong that a proposal had been received recently from the Russians concerning concessions desired by the Soviet Government in Manchuria I asked the Foreign Minister what he could tell me about this proposal. He said that he had never heard of it but that since he had only just returned from Paris, it was possible but most unlikely that something had been received in his absence of which he was unaware. He agreed however to investigate and let me know. Subsequently he informed me, through the Division of West Asia Affairs, that no such proposal had been received and that presumably Mr. Soong was confused about the Chinese counter-proposal made last March of which the Department is aware<sup>33</sup> and which came to nothing. In a subsequent conversation with Dr. Pu<sup>34</sup> and the Director of the Treaty Department,<sup>35</sup> they expressed concern over the indeterminate situation in Manchuria and possibilities of what the future might hold. They appeared to be worried over the Soviet decision to withdraw the delegation of railway officials which has been in Manchuria and who have been on very unsatisfactory working terms with Chinese employees of the railway. Chinese actions in territory controlled by the National Government have resulted in a situation in which the Russian employees not only find themselves under threat of terrorism but are largely without any-

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<sup>32</sup> *Post*, p. 1129.

<sup>33</sup> See telegram No. 572, March 26, 5 p. m., from the Counselor of Embassy in China, p. 1121.

<sup>34</sup> Pu Tao-ming, Director of the Western Asiatic Affairs Department, Ministry of Foreign Affairs.

<sup>35</sup> Wang Hua-chen.

thing to do. The action of the Foreign Minister was reported in Embassy's telegram no. 1704, October 20, 1946, 9 a.m.<sup>36</sup>

In connection with this general situation in Manchuria the Department may be interested in remarks made by Dr. Carson Chang, Head of the Democratic Socialist Party and a brother of Dr. Chang Chiangao, Chairman of the Economic Council for Manchuria. It can be assumed that Dr. Chang has merely passed on the views and observations of his brother. He first observed to me that in his opinion the turning point in the negotiations between the Government and the Communists for a general political settlement came when Soviet troops withdrew from Manchuria and the vacuum created was immediately filled by the Communists. He said that following the Sino-Soviet Treaty of August 15 [14], 1945<sup>37</sup> and the occupation of Manchuria by Soviet troops during hostilities just prior to the termination of the war against Japan, the Soviets desired to obtain certain economic concessions from China; but definitely preferred to obtain them in agreement with the National Government. Consequently there was no desire to allow Communist troops to enter the northeast and when the first group did appear in Changchun it was summarily deported by Soviet military authorities. When the Soviet authorities finally came to the conclusion after several months of negotiations that substance of concessions beyond those accorded in the Treaty of August 15, 1945 were not going to be obtained from the National Government, they suddenly concentrated the arms and equipment seized from the Japanese in convenient locations and evacuated the entire Northeast, leaving it up to the Communists to move in quickly and seize the military stores. Following this, as the Department is of course aware, National Government troops succeeded in occupying a considerable portion of the area and of driving the Communists back. Dr. Chang said he did not believe this Soviet action in any sense represented any definitive abandonment by the Russians of their Manchurian objective but said it probably meant that the Soviets did not at that time feel themselves in any position to take any further action and that they believed they could afford to allow the internal situation in China to ferment and later determine what action, if any, might be indicated. Dr. Chang expressed great pessimism over the ability of the Government to accomplish in any predictable period the enormous job of reconstruction and development which is necessary.

Respectfully yours,

For the Ambassador:  
W. WALTON BUTTERWORTH  
*Minister-Counselor of Embassy*

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<sup>36</sup> *Post*, p. 1212.

<sup>37</sup> Signed at Moscow; *United States Relations With China*, pp. 585-596.

Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall, Mr. Mo Teh-hui, and General C. P. Lee at No. 5 Ning Hai Road. Nanking, November 1, 1946, 10:45 a.m.*

Also present: Captain Soong

General Marshall asked Mister Mo Teh-hui to express himself most frankly as to what is the most critical issue in the present negotiations.

Mister Mo stated that he thought the most critical issue today is the National Assembly. He attributed a large part of the difficulties today to the manner in which this Assembly would be convened. The Government insisted that the presentation of name lists of delegates to the National Assembly was a prerequisite to the issuance of an order for the cessation of hostilities. On the other hand the Communist Party and Third Party do not want to present their name lists unless certain their hopes are first achieved. Mister Mo further expressed that the Third Party desired peace most anxiously; however, the major role for achieving peace rested with the Kuomintang and Communist Parties. Mister Mo emphasized that he was expressing his personal view only and was not representing the opinion of any Third Party element. He felt that the Government is most concerned with the submission of lists of delegates to the National Assembly; while the Communist Party is most concerned with settling all outstanding issues at once. In this respect, Mister Mo stated that he knew his estimate regarding the Government's view is correct. However, he was not too certain of his estimate of the Communists' view.

General Marshall then said the Communist Party has always insisted that the Government's generals are determined to settle the present issue by force. If that is the case, apparently the Communists are risking the continuation and great expansion of the war against the hope that the Government would make concessions in order to obtain the name lists of delegates to the National Assembly. Therefore, it appeared to General Marshall that the present stand taken by the Communist Party is not logical.

General Marshall further elaborated that the issues of State Council and of local government are not difficult to solve and it would seem that principal outstanding issue today is the reorganization of the Executive Yuan. The Communist Party and the Democratic League seem to attach great importance to this issue as a condition precedent to the convocation of the National Assembly. General Marshall asked Mister Mo whether there is any possibility of compromise over this issue.



Mister Mo in turn asked General Marshall whether the present situation could be settled by solving the issue of the reorganization of the Executive Yuan.

General Marshall replied that he thought it could. He reiterated that if the Government could concede to appointing members of the Communist Party and the Third Party to the posts of certain Ministers without portfolio, and to one or two other ministries, the Communists might be persuaded to come to terms.

Mister Mo stated that this procedure might only serve to push the two parties one step closer. However, it will not serve as a solution for settlement. Mister Mo stated that he had learned from General Marshall three months ago that mutual suspicion between Kuomintang and Communist Party was extremely deep. But today he would say a lack of confidence on both sides for each other is equally bad. He expressed the hope that General Marshall would draw clear lines of demarcation between Kuomintang and Communist troops so that both sides could feel militarily secure.

General Marshall commented that agreement for a line of demarcation was reached February 25 this year. However, it was wrecked through political disagreement. General Marshall emphasized that military rearrangement can not be achieved unless fighting is first stopped. Now the representatives of the Third Party—Doctor Lo, Mister Miao and Mister Tseng—came to him (General Marshall) and reported that through the last meeting they had with Doctor Sun Fo and five other Government representatives, they felt that the present situation is rather discouraging and that they were planning to go back to Shanghai. General Marshall stated that his problem was to make members of the Third Party aware of the fact that military settlement is greatly affected by political issues and that he had concentrated his effort in encouraging a build up of the Third Party so that a political settlement could be achieved.

General Marshall stated that he looked to Mister Mo Teh-hui and Mister Hu Lin as men of powerful influence in the present situation and that they could keep the Third Party together and strong under the pressures of the Government and the Communist Party. General Marshall said that there are two things he would want Mister Mo to keep in mind:

First, fighting must be stopped as quickly as possible or else the military situation will be entirely out of control.

Secondly, the Communist propaganda had developed such a hatred among the Communist Party troops against Americans that he was doubtful whether the Executive Headquarters could perform a useful function in a protracted truce.

General Marshall concluded by saying that the Third Party members must work diligently to achieve a political settlement so that the fighting would be stopped immediately.

Marshall Mission Files, Lot 54-D270

*Notes of Meeting Between General Marshall and General C. P. Lee  
at No. 5 Ning Hai Road, Nanking, November 2, 1946, 11:15 a. m.*

Also present: Captain Soong

General Lee stated that he had a long talk with Mister Mo Teh Hui after they left General Marshall yesterday noon. He stated that Mister Mo's observation regarding the Communist Party's anxiety and sincerity in wanting peace was confirmed by the conversation General Lee had with Mister Tung Pi Wu <sup>38</sup> last evening. General Lee said that it seemed to him Mister Tung is still anxious to talk about peace and that it also seemed that the Communist Party possesses a strong inferiority complex.

General Lee then suggested that an informal tea party be sponsored by Doctor Stuart and General Marshall in which one member each from the Kuomintang, the Communist Party, and the Third Party be invited to attend. In this party, the issues of cease fire and the reorganization of the government would be discussed. General Lee further stated that the Communist Party seemed to be receptive to this idea. He asked General Marshall to discuss this idea with the Generalissimo.

General Marshall stated that it would not be wise at the present time for the Americans to take the leading position in the current negotiations away from the Third Party. However, General Marshall said he would discuss this matter with Doctor Stuart. General Marshall explained that it is easy to settle the details of the cease fire implementation. However great complications would arise in discussions regarding the reorganization of the armies.

General Lee then said it would be meaningless to convene the National Assembly under the existing conditions because the main subject for discussion in the Assembly is the Constitution. Since the Constitution has not been agreed upon by all parties, the National Assembly could not function. General Lee then suggested that Mister Mo and two or three other Third Party members hold frequent conversations with General Chou En Lai, the Generalissimo and Doctor Stuart. If an agreement should be reached, then formal meetings could be resumed. If Doctor T. V. Soong were to vacate his post as the President of the Executive Yuan, General Lee wondered whether the Government would utilize this chance to reorganize the Executive Yuan.

General Marshall said that he has been seeking an immediate compromise by way of initiating the reorganization of the Executive

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<sup>38</sup> Member of the Chinese Communist Party delegation.

Yuan. He further stated that the common feeling among the Chinese political leaders was that in order to participate in the Government one must be in the Cabinet. This feeling is in error. He then illustrated with reference to the approaching election in the United States by pointing out to General Lee that the party that controls the House of Representatives would dominate important activities of the Government, even though the President, the Cabinet, and the Senate all belong to the other party.

General Lee then said that the way to have real peace is for the Government to carry out all PCC resolutions, and then the Communist Party would hand in its list of delegates and would be willing to participate in the National Assembly. The Communist Party felt that this was the minimum amount of democracy which the Government must allow. General Lee further stated that it is commonly felt that the Generalissimo is indispensable at the present time and that efforts would be made by all parties to settle the issues in accordance with his desires.

General Lee said that if an agreement could be reached, the propaganda war on both sides would cease immediately.

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Marshall Mission Files, Lot 54-D270

*Memorandum by Colonel J. Hart Caughey to General Marshall*

[NANKING,] 2 November 1946.

General Yu Ta Wei called to leave the following information:

Mr. Wu Teh Chen saw the Generalissimo and conveyed to him the idea that the Third Party suggested that the Kmt and CCP enter direct negotiations concerning the present situation in China. Mr. Wu Teh Chen further informed the Generalissimo that General Chou En Lai indicated willingness to enter discussions in either the Committee of Three, the Committee of Five, or the Steering Committee of the PCC, on an *informal* basis. (General Yu Ta Wei was not at all clear as to how definite this position on the part of General Chou was.)

General Yu Ta Wei continued by stating that the Generalissimo had asked him to pass on this information to you and to also tell you that he (The Generalissimo) believes that any conversations at this time would prove fruitless unless the Communists accept the Generalissimo's eight points before entering discussions.

J. H[ART] C[AUGHEY]



893.00/11-346 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, November 3, 1946—2 p. m.

[Received November 3—4 : 52 a. m.]

1806. In an interview on October 29 with reputable American correspondent, who has not yet filed story, Wu Teh-chen, Secretary General of Kuomintang, is said to have stated: "The Central Executive Committee of the Kuomintang neither ratified nor rejected the PCC decisions but left them open for future discussion."

So far as Embassy is aware, this is first time that a senior official of either the Government of [or] the Kuomintang has admitted that the CEC ratification of the PCC agreements was in any way conditional. (Embassy's telegrams 1601, October 5 <sup>39</sup> and 1623, October 9.<sup>40</sup>)

In course of interview Wu Teh-chen also is said to have remarked that National Assembly as the supreme organ of power would have the authority to revise any draft constitution presented it.

This latter statement is of interest inasmuch as it has been general understanding of non-Kuomintang groups that National Assembly would meet for sole purpose of ratifying the constitution submitted to it by the Constitutional Committee provided for in PCC agreements. This document was to have been the definitive and only document presented to National Assembly for acceptance (Embassy's telegram 541, March 21 <sup>41</sup>). Thereafter a permanent National Assembly would be elected in accordance with terms of constitution (Embassy's telegram 642, April 9 <sup>42</sup>). Section II of PCC agreements, having to do with National Assembly, provides in part "the authority of the First National Assembly shall consist of the adoption of the constitution".

STUART

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Marshall Mission Files, Lot 54-D270

*Notes on Meeting Between General Marshall, Mr. Carsun Chang, Dr. Lo Lung-chi, and Mr. Yeh Tu-yi at No. 5 Ning Hai Road, Nanking, November 3, 1946, 3: 30 p. m.*

Also present: Colonel Caughey  
Captain Soong

Mr. Chang reported to General Marshall that he had seen the Generalissimo yesterday afternoon. He had presented to the Generalissimo the idea of an informal meeting among the Kuomintang, the

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<sup>39</sup> *Ante*, p. 293.

<sup>40</sup> *Ante*, p. 341.

<sup>41</sup> Vol. IX, p. 158.

<sup>42</sup> *Ibid.*, p. 163.

Communist Party and the Third Party. The Generalissimo seemed to have accepted the idea. Mr. Chang also saw General Chou En-lai last night and found General Chou was receptive to this idea also. He further reported that Dr. Sun Fo is leaving for Shanghai tonight and Mr. Wu Te-chen will be acting as the Government representative. Mr. Chang then reported that a general meeting of the representatives of Kuomintang, the Communist Party and the Third Party would be held Monday, and that an agenda of outstanding issues to be discussed by the various committees would be drawn up. He then asked General Marshall for comments.

General Marshall commented that he saw no point in a meeting of the Committee of Three at the present time because this committee could only deal with military issues. General Marshall said that there could not be any profitable discussion on military dispositions unless fighting be first stopped. The question today is how to achieve the cessation of hostilities through political settlement. Then, General Marshall suggested that the Third Party concentrate its effort in settling the outstanding political issue between the Kuomintang and the Communist Party, i. e., the question when and to whom the Communists are to submit names of delegates for the National Assembly. (8th of the 8-point proposal).

Dr. Lo then said that there is one military problem to be discussed by the Committee of Three, that is, the Generalissimo's condition that the Government would now concede to settlement of the local government in Manchuria by the reorganized State Council. Dr. Lo continued by saying that the Government has also conceded not to take over cities and hsien along the main trunk line of the Changchun railroad except those already in Government possession.

General Marshall concurred that the military situation in Manchuria should be settled by the Committee of Three. However, he stated that at the present time the dominant issue is how to settle the political differences between the two contending parties. He mentioned that there might be a possibility of appointing certain members of the Communist and Third Parties to the posts of Ministers without portfolio in the Executive Yuan as an initial step to the eventual reorganization. General Marshall then asked who in the Communist Party would be qualified for such posts.

Dr. Lo Lung-chi said the Communist Party had previously indicated that General Chou En-lai, Mr. Wang Jo-fei (now deceased), Mr. Tung Pi-wu and Mr. Lin Chu-hai would be the persons to participate in the Executive Yuan.

General Marshall replied that he thought it might be a good idea to consider General Chou En-lai for Minister of Communications. If this were done, the problems of rail destruction (principally a Com-

munist occupation), of rail police and of communication censorship would automatically be eliminated. However, he asked Mr. Chang and Dr. Lo to hold this in confidence as it was a mere idea, no more.

Mr. Chang stated that there are three things the Government must settle before the reorganization of the Executive Yuan takes place:

First, a uniform civil service system must be established so that it will provide a standard of employment for all Ministries;

Second, a budgetary system must be set up so that each Ministry would confine itself within the appropriation allocated under such budgetary system;

Third, a fundamental policy for each Ministry must be established.

General Marshall then said this is a matter of procedure but the main point remaining is how to get the various parties to accept the 8th item of the 8-point proposal of the Generalissimo as the principal basis for discussion. The object is to get the members of the various parties to sit down and hold discussions.

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between Dr. Stuart and General Marshall at No. 5 Ning Hai Road, Nanking, November 4, 1946, 4 p. m.*

Also present: Colonel Caughey

Doctor Stuart opened the meeting by handing General Marshall a letter to him from Doctor Soong<sup>43</sup> which requested an increase in the \$30,000,000 cotton loan to China. General Marshall stated that he did not think the United States would be amenable to such a loan at this time, but that he would like to have Mister Adler's<sup>44</sup> comment before further consideration.

Dr. Stuart reported that Mr. Wang Ping-nan wanted to confer with him this evening. Mr. Wang had already sent to Dr. Stuart two messages, the gist of which indicated that Mr. Wang wanted from Dr. Stuart his frank advice as to what to do with reference to the current negotiations. Specifically, Mr. Wang wanted to know what the United States' reaction would be to convening of the National Assembly without Communist participation. Dr. Stuart continued by stating that he thought the Generalissimo would suspend the date of the convening of the National Assembly if the Communists indicated definite intention of coming into that Assembly. Further than this, Dr. Stuart was of the opinion that the Generalissimo would issue a cease fire order if the minor parties (excluding the Communists) would indicate their intention of joining the National Assembly.

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<sup>43</sup> *Post*, p. 1014.

<sup>44</sup> Solomon Adler, Treasury representative in China.



General Marshall stated that the major issue at this time appeared to be the Communist desire for reorganization of the Executive Yuan, and that if this problem could be resolved, most of the outstanding political questions could be easily handled. General Marshall referred to Dr. Carsun Chang's comments with respect to the reorganization of the Executive Yuan and indicated that Dr. Chang had stated three things must be done in connection with its reorganization. The first of these was the establishment of a uniform civil service system for all ministries; second, that a budget control system be established to which the various ministries must adhere; and third, that a uniform policy with reference to ministry operations be established.

General Marshall then told Doctor Stuart that he had discussed at length with Doctor Chang the possible reorganization of the Executive Yuan. Doctor Chang stated that the Communists had hoped that General Chou might be appointed Deputy Minister of the Executive Yuan. General Marshall stated that while this appeared a very responsible post, he thought that a more effective post for General Chou might be that of Minister of Communications. He stressed that in this position of great responsibility, General Chou could not afford to fail without dragging down the entire Communist Party at the same time.

Doctor Stuart said that the Generalissimo said he would not reorganize the Executive Yuan until after the National Assembly meets. Doctor Stuart also said that after signing the commercial treaty <sup>45</sup> this afternoon, Doctor T. V. Soong had taken him aside and said that as far as he was concerned, no Communist should be included in the Executive Yuan reorganization at this time; possibly after the Government had been reorganized, Communists could be taken into that Yuan gradually and in accordance with popular elections. Doctor Stuart remarked regarding the possible reactions to Chou's appointment that it was a common practice in China for an entire group to resign under circumstances of displeasure or disapproval. General Marshall then stated that if this was a probable reaction it would be unwise to suggest that Chou En-lai be made Minister of Communications.

Doctor Stuart concluded the meeting by stating that General C. P. Lee appears to be quoting both General Marshall and himself that they are advocating the establishment of an Advisory Committee with General Lee as chairman to take over from General Marshall and Doctor Stuart in the current negotiations.

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<sup>45</sup> For negotiations on this subject, see pp. 1227 ff.

Marshall Mission Files, Lot 54-D270: Telegram

*General Marshall to President Truman*<sup>46</sup>

[NANKING,] November 4, 1946.

1716. DEAR MR. PRESIDENT: Since my radio of October 26 (1695) there have been numerous interviews or negotiations with Third Party group taking leading part and Dr. Stuart and I refraining from participating in negotiations. However we have been frequently consulted by Third Party and Government and infrequently by Communists.

Government officials' rigidity or uncompromising stand following Generalissimo's return from Formosa and the capture of Antung caused Third Party group to consult me regarding their abandonment of effort and return to Shanghai. I told them that they could not give up so easily especially since I had experienced a number of almost exactly similar impasses, that they must continue and redouble their efforts.

On the Generalissimo's return I had told him, in outlining the situation, that the Communists had not reduced their demands or objections; that they doubted the sincerity of every proposal by the Government; and that the active operations at Antung in Manchuria and at Chefoo in Shantung were proof to them of the Government's determination to follow out a policy of force. I urged that he receive the Third Party people with special consideration and that he see them the morning after his return, which he did. He later sent for Dr. Stuart and stated that he was willing to concede that the matter of local government for all of China (including Manchuria) would be left to the State Council, whereas previously he had excluded Manchuria, and that the Government would not dispossess the local governments in the cities and hsien along the Changchun trunk railroad in Manchuria except those already in Government control prior to the organization of the State Council.

The Third Party presented a proposed compromise solution to the Generalissimo which he refused, stating that the eight points of his statement of October 17 must be the basis of discussion. The Communists also objected to this compromise proposal. The Third Party then recommended that there be an informal discussion by Government, Communists and Third Party together. The Generalissimo agreed but insisted that his eight points constitute the agenda. Chou agreed but I do not yet know his reaction on agenda. The meeting was scheduled for this afternoon. The Third Party consulted me yesterday regarding agenda and course to follow.

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<sup>46</sup> Copy transmitted to the Secretary of State by the War Department.

There have been several developments that affect the negotiations:

(a) We now learn indirectly that Chou En Lai would not agree to return to Nanking until the Third Party group bound themselves to stand with the Communists against nominating delegates to the National Assembly until the Government had reorganized in strict accordance with the Political Consultative Council agreements. This is now proving very embarrassing to the Third Party group.

(b) The main issue at present boils down to this: The Government will not agree to a cessation of hostilities until the Communists submit their list of delegates to the Assembly and on the other hand the Communists will submit their list only to a reorganized government—meaning now in particular the reorganization of the Executive Yuan by appointing seven or eight ministers from the Communists and the Third Party, five of whom may be without portfolio. This the Government had indicated it would not do before the meeting of the Assembly.

(c) The Third Party group have been urging Dr. Stuart and me to take the lead again in the negotiations but we have declined to do so because it is very important that if possible a Chinese neutral group act in mediation at least on political questions and also because the urging seemed to have behind it a suspicion of the pass the buck complex.

There are rumors regarding a delay in meeting of the National Assembly scheduled for November 12th but I know nothing of this reliably. I do know that they have had in mind the possibility of formally meeting and then adjourning for a period to permit the delegates appointed at the last moment to assemble. Mr. Mo Teh Hui of Manchuria, a nonparty man of fine reputation and highly regarded by both sides, is taking a prominent part in the negotiations; also Mr. Hu Lin the leading liberal editor in China, who brings to the negotiations a most practical and selfless influence.

G. C. MARSHALL

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893.00/11-546 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, November 5, 1946.

[Received November 5—6:30 a. m.]

1814. Chinese press reported interview given by Dr. Sun on November first to Agence France Presse in which he is reported to have stated that third parties had decided to abandon their roles as intermediaries in the present political struggle because of rejection by Communists of their proposals—"the Communists' rejection clearly proves that they are not ready to put an end to the hostilities . . ."<sup>47</sup>

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<sup>47</sup> Omission indicated in the original telegram.



it is very difficult to find a solution. Perhaps we will succeed if the situation changes but so far we have been unsuccessful". Dr. Sun stated that rejection of the proposals was based principally on disagreement over military situation in Manchuria and the Government proposal that they occupy all important towns along Tsitsihar, Kia-mutze and Peihan railways. Dr. Sun added that Government had not had time to approve or reject three party proposals since they were withdrawn 2 hours after submission.

"Third parties gave us no reason for this action other than to clear up certain details. At the same time they declared that they had not submitted the text to the Communists. It was only the day before yesterday that we learned that we had been deceived. We can now see clearly that their decision was motivated by the immediate rejection of their proposals by the Communists, but it is difficult to find a basis for direct negotiation as the Government insists on the acknowledgment of their eight points while the Communists are equally adamant on their rejection.

"Generalissimo Chiang Kai Shek's eight points really constituted concession to the Communists. We are inclined to think that the question of division of seats in the State Council is settled. Third parties gave us to understand that the opposition would not insist on more than 14 seats. Generalissimo Chiang earnestly desires the Communists to submit their lists of delegates to the National Assembly, **and he is only waiting for the word to be given by them to order an immediate cease fire.**

"Other points to be settled are merely questions of procedure, namely the reconvening of the Committee of Three and of the Sub-Committee of Five to solve the problems coming within their competence.

"The only important point of friction is the question of the National Assembly."

STUART

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Marshall Mission Files, Lot 54-D270

*Notes on Statement by Chou En-lai to the Third Party Group,  
November 5, 1946*

The exchange of name-list for cease-fire order not satisfactory.  
It is not simply an agreement as to the Executive Yuan.

Local administration is important.

The four promises of the Generalissimo are also essential.

Political without military settlements are not a sufficient guarantee.

Any settlement must be a thorough-going one.

Troops may stay where they are after the cessation of hostilities.

Whether discussions are informal or formal does not matter.

Unwilling to state demands for two reasons:

1. No assurance that the Government would not take unfair advantage of such a statement.

2. No new military proposals. Ready to base these on the June conferences but Government probably unwilling. If desired, the matter may be referred to Yen-an.

*Conclusion.* This is confined to topics and procedure.

### I. *Political*

a. Reorganization of Government including Executive Yuan.

b. Draft of Constitution: (1) Committee (2) Guarantee as to its approval by National Assembly.

c. National Assembly: (1) Distribution of additional members.  
(2) Date.

d. Local administration: (1) Disputed areas including Manchuria.  
(2) Original understanding as to control.

3. [e] Fulfillment of the four Promises.

### II. *Military*

a. Total cessation of hostilities.

b. Restoration of troops to original places (Government troops up to 80% now in Communist Party territory).

c. Restoration of communications everywhere.

d. Authority and function of Executive Headquarters and field teams.

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## XV. PRESIDENT CHIANG KAI-SHEK'S ORDER TO TROOPS TO CEASE FIRE AND THREE-DAY POSTPONEMENT OF NATIONAL ASSEMBLY MEETING (NOVEMBER 6-NOVEMBER 14, 1946)

Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Dr. Stuart*<sup>48</sup> at Dr. Stuart's Residence, Nanking, November 6, 1946, 10:30 a. m.

Also present: Col. Caughey<sup>49</sup>

Doctor Stuart opened the meeting by stating that the Generalissimo<sup>50</sup> wanted to see him again at 6 o'clock this evening, and that in his talks with the Generalissimo the previous evening, the Generalissimo had wanted to know what the United States policy toward China is going to be. General Marshall stated that the time has come when the policy toward China might change, but it all depended on what the Generalissimo's actions were in connection with the cessation of

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<sup>48</sup> J. Leighton Stuart, Ambassador in China.

<sup>49</sup> J. Hart Caughey, Executive Officer on General Marshall's staff.

<sup>50</sup> President Chiang Kai-shek.

hostilities, convocation of the National Assembly, organization of the State Council, etc.

Doctor Stuart then told General Marshall that his understanding of the Generalissimo's present attitude is somewhat as follows :

1. After a discussion with General Marshall and himself tomorrow, the Generalissimo will be willing to issue a cease-fire order;
2. The Generalissimo desires to convene the National Assembly with or without participation by the Communists and the Third Party Group, but is willing "to leave the doors open" for them to come in.

Doctor Stuart was concerned, if the Generalissimo issues a cease-fire order, whether the Communists would continue to disrupt communications, whether Executive Headquarters would continue to function, and whether the Communists would want the Committee of Three to meet.

General Marshall stated that a meeting of the Committee of Three at this particular time probably would not be fruitful; that the major concern is to get the Generalissimo to issue a cease-fire order, and to capitalize thereon in such a way as to attract the Communists to participate in a reorganized government. In other words, it is up to the Generalissimo to issue a statement that would give the Communists sufficient encouragement for them to continue with negotiations toward a reorganized government. General Marshall then asked Doctor Stuart what form the Generalissimo's statement should take in this connection.

After the general discussion, General Marshall and Doctor Stuart agreed that the Generalissimo's statement should announce that he (the Generalissimo) had issued a cease-fire order as of a certain time, and that he intended to convene the National Assembly as scheduled, but was prepared to adjourn the National Assembly immediately after its first meeting in order to permit :

1. The development of a reasonable plan for the Communists to designate and assemble representatives for the National Assembly;
2. Completion of the draft constitution by the Constitutional Draft Committee in accordance with the resolutions of the PCC;<sup>51</sup>
3. Allotment of 10 seats in the State Council to the Communist Party, thus reducing non-party members to 2;
4. Reorganization of the Executive Yuan.

General Marshall stated that the first three of the above four points seemed possible of agreement, but that he was confused as to how reorganization of the Executive Yuan might be worked out.

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<sup>51</sup> Political Consultative Council.



(At this point Mister Butterworth,<sup>52</sup> Mister Ludden, Mister Melby, and Mister Sprouse<sup>53</sup> were asked to enter the meeting.)

General Marshall informed the newcomers of his discussion with Doctor Stuart just preceding, and asked for their views. At conclusion of the general discussion, General Marshall asked Mister Butterworth to prepare what he thought might be an appropriate statement for the Generalissimo to issue (attached).<sup>54</sup>

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Marshall Mission Files, Lot 54-D270

*Memorandum Prepared by the Embassy in China*

[NANKING,] November 6, 1946.

There are set forth suggested specific points which might be made by the Generalissimo in a public statement.

1. Last night orders were issued for all Government troops to remain in their present positions and to cease fire except as may be necessary to defend their present positions. This was done as an earnest of the sincere desire of the Government to reach an agreement for the restoration of peace and unity.

2. In order to broaden the base of the Government and to bring more quickly to an end the period of political tutelage, the Government furthermore proposes the immediate reorganization of the National Government State Council on the following basis:

Kuomintang members	20
Communist Party members	10
Democratic League members	4
Youth Party members	4
Non-party members	2

3. The State Council will immediately initiate steps for the reorganization of the Executive Yuan. I would propose that this reorganization be on the following basis: seven heads of the various ministries and commissions of the Government to be divided among parties and groups outside the Kuomintang and I would further propose that of the present eighteen ministries and commissions the division be as follows:

Kuomintang	11
Communist Party	3
Democratic League	2
Youth Party	2

Of the principal ministries with portfolio one to the Communist Party, one to the Democratic League. In addition to the above eighteen there

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<sup>52</sup> W. Walton Butterworth, Minister-Counselor of Embassy in China.

<sup>53</sup> Raymond P. Ludden, John F. Melby, and Philip D. Sprouse, Second Secretaries of Embassy.

<sup>54</sup> *Infra*.

shall be five Ministers Without Portfolio, all of whom should be non-party members.\*

4. The National Assembly will be convened on November 12. It shall thereafter be adjourned until the following two conditions shall have been fulfilled; (1) the reorganization of the State Council and the Executive Yuan have been completed; and (2) the Draft Constitution Committee shall have completed its work on the basis of the principles set forth in the PCC agreements. When these two conditions have been fulfilled, the National Assembly shall proceed with the adoption of the Draft Constitution as presented.

Until the adoption of the Constitution, all affairs relating to local administration and military dispositions shall remain in status quo to be settled thereafter in accordance with the provisions of the new Constitution except insofar as adjustments in military dispositions during the interim period may be ordered by the Three-Man Committee.

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Marshall Mission Files, Lot 54-D270

*Draft Statement by Generalissimo Chiang Kai-shek* <sup>56</sup>

The consistent policy of the National Government is to promote internal peace and national unity, to carry out to consummation the program of concluding political tutelage and inaugurating constitutional democracy with the purpose of achieving lasting peace and political stability for the country.

Since the conclusion of the PCC conferences last January, the Government has been, in accordance with this policy, exerting its utmost for the realization of the "Nationalization of the army" and "political democratization." The convocation of the National Assembly is the only way to bring our country to peace, unity, reconstruction and democracy and has been for years the cherished desire of the National Government as a means to return political power to the people.

In accordance with the resolutions of the PCC, the National Assembly should be convoked on May 5, 1946. This was agreed upon by the various parties and non-partisans attending the PCC con-

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\*Embassy would suggest some such allocation: to the Communist Party—Ministry of Communications, or, alternately, Ministry of Economic Affairs, and Ministry of Social Affairs and the National Health Administration; to the Democratic League—Ministry of Economic Affairs, or, alternately, the Ministry of Education and the National Conservancy Commission. [Footnote in the original.]

<sup>56</sup> Undated statement received by General Marshall prior to his conference with Generalissimo Chiang on November 7; see General Marshall's notes of November 8 on meetings with the Generalissimo between November 5 and 8, p. 486.

ferences. During the three months period from the conclusion of the PCC and the return of the Government to Nanking, late in April, the Government has made all preparations for the convocation of the National Assembly on the one hand and for the re-organization of the National Government on the other. The Government has entered into frank and sincere negotiations with the Communist Party and the various other parties and has repeatedly requested them to submit, on time, in accordance with the PCC resolutions, the lists of their candidates to the State Council and also the lists of their delegates to the National Assembly, in order that the re-organization of the National Government and the convocation of the National Assembly can be effected according to the agreed time schedule. But, the Communist Party did not submit their lists up to April 25, so that the re-organization of the National Government could not be effected soon enough and the convocation of the National Assembly had to be postponed.

Since it was proclaimed during our war of resistance that the National Assembly should be convoked within one year after the conclusion of the war, and since the convocation of the National Assembly is the only legal step by which the Government can return political power to the people, the Government, upon its return to Nanking, felt that the National Assembly should not be indefinitely postponed, thus preventing the realization of political democracy and therefore had to fix another date for its convocation. Thus, on July 4, an announcement was made by the Government to the effect that the National Assembly be convoked on November 12, leaving a period of four months for thorough discussions and full preparations among all parties concerned. At the same time, the Government expected that the Communists would settle all the pending problems with the Government and the National Assembly. The Government especially hoped that the Communists would cease their military activities menacing peace and disrupting communications, so that the National Assembly could proceed under peaceful circumstances.

I believe that my earnest desire for peace is well known to the whole nation, as I have made repeated announcements to that effect since my statement of August 14.<sup>57</sup> Had the Communists sincerely carried out the Cease Fire Order<sup>58</sup> and the Agreement on the restoration of Communications of last January<sup>59</sup> and the Plan for Army Reorganization and Integration of last February,<sup>60</sup> our internal peace would have been long realized. However, the Communists since

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<sup>57</sup> *United States Relations With China*, p. 649.

<sup>58</sup> January 10, vol. ix, p. 125.

<sup>59</sup> February 9, *ibid.*, p. 422.

<sup>60</sup> February 25, *ibid.*, p. 295.



March of this year first attacked and captured Ssupingkai, Changchun, Harbin and Tsitsihar, while the Government was proceeding to take over these places, and later attacked Taihsin and Tungchow in Northern Kiangsu and Taichow, Tehchow, Taiyuanfu, Tatung and Kaifeng in the Provinces of Hopei, Shantung, Shansi and Honan respectively. These facts are known to all. In so doing, the Communists have practically violated the Cease-Fire Order and various other military agreements together with all the resolutions of the PCC made since January 10. In particular, the Communists' activities menacing peace and disrupting communications virtually compelled the Government to take self-defense measures and resist unwarranted attacks. The Government, however, has never given up the hope for the cessation of hostilities in order that internal peace may soon be restored.

In my recent statement of October 16,<sup>61</sup> the Government showed a spirit of greatest tolerance and conciliation and hoped that it would be accepted by the Communists, in order that a complete settlement could be reached on all pending problems and that the Communists would submit their list of delegates to and participate in the National Assembly. The Communists, so far, have not made an affirmative reply, but, on the contrary, expressed their rejection to the eight points. The Communists have come to the conclusion that the Government's conditioning the issuing of a Cease-Fire Order on the Communists' submitting the list of their delegates to the National Assembly is an act of constraining. It is indeed difficult to understand.

Now the delegates to the National Assembly who have already arrived in Nanking, have all expressed their hope that the Government takes the initiative in first issuing the cease-fire order, so as to test whether the Communists are sincere in carrying out the PCC resolutions by participating in the National Assembly and thus bringing about peace to the country. General Marshall and Doctor Stuart have also made the same earnest recommendation. Even the various other parties and non-partisans have also repeatedly requested that the cessation of hostilities should be first effected. However, the cessation of hostilities will only be effective when it is enforced by both sides, since in the military conflicts of the past months, the Government troops have only been taking self-defense measures.

In response to the earnest appeals for peace and in order that the National Assembly can proceed smoothly under peaceful circumstances, the Government has ordered all its troops, including those in the North-east, to remain, pending further instructions, at their

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<sup>61</sup> *Ante*, p. 377.

present positions and cease attacks on the Communist troops beginning from November . . .<sup>62</sup> In the meantime, if the Communist troops have peaceful intentions and deference for the laws of the state, they should also remain at their present positions and stop their military advances.

It should be pointed out, however, that the Communist Party is a political party with armed forces. In order to achieve permanent peace and unity of the nation, the Government will readily provide ample opportunity for the Communist Party and other parties to develop along the proper track of democracy. Militarily, however, no political party should hereafter keep a private army and all troops should belong to the state. The Government, therefore, reserves the Communist quota of delegates to the National Assembly and hopes that they can attend the National Assembly and take part in the making of the constitution. On the other hand, it hopes that the Communists will appoint their representative without delay to attend the Military Sub-Committee headed by General Marshall, for the discussion on the disposition of troops and for the immediate implementation of measures for the restoration of communications and the re-organization and integration of the army, on the basis of the eight points embodied in my statement of October 16.

The above-mentioned decision shows the sincerity of the Government inasmuch as it accepts the recommendations of the delegates to the National Assembly, of the various parties and of the mediators, General Marshall and Doctor Stuart. It also shows that the Government is willing to comply with the cease-fire request made by all parties. Now that the Government has already issued the cease-fire order, the Communists cannot continue to argue that there is still an act of constraining. Therefore, all parties should participate in the National Assembly to accomplish the important task of making the Constitution.

At this juncture, I would like to make the following remarks:

1. The National Assembly must be convoked according to schedule and any further postponement of which would only intensify political instability and the people's sufferings. It should be recalled that the National Assembly was prevented from being convoked in 1937 by the aggression of our enemy. Now, with the war being over, there can be no justification for any further postponement. The postponement from May 5 of this year has already caused much delay in the progress of our nation. The present date of convocation was announced four months ago and therefore, it should not be further postponed.

2. As regards the re-organization of the National Government, only one week is left between now and November 12, and in point of fact, it

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<sup>62</sup> Omission indicated in the original.

is absolutely impossible to take up such an important state affair and have it arranged within such a short time. With the grave responsibility on our shoulders, we should not attempt such a vital change light-heartedly. If all parties would comply with the PCC resolutions and participate in the National Assembly for the making of the constitution, then after the adjournment of the National Assembly, the Government would be ready to broaden the basis of government, in accordance with the PCC resolutions, so that all parties could participate in the National Government and the Executive Yuan for the implementation of the Program of peaceful reconstruction.

3. The present National Assembly is a constitution-making body and is not a constitution-exercising body. This limitation of its functions is not only resolved by the PCC, but is also stipulated in the Organic Law of the National Assembly. I trust that the delegates to the National Assembly will not do anything beyond their legal functions.

4. As regards the draft of constitution, the Government is ready to submit to the National Assembly the unfinished revised draft of the Constitution-drafting Committee. I trust that all delegates will take a humble and unbiased attitude in their deliberations so that a perfect and practical Constitution will be made without being strictly bound by the articles of the original May 5th Draft Constitution. However, the Government will certainly show full respect to the National Assembly in the free exercising of its legal functions.

5. Within six months after the adjournment of the present National Assembly, a general election will take place according to the adopted Constitution. All parties and all citizens can then freely take part in this election, in order to bring into existence the next National Assembly, which will exercise its functions as stipulated by the Constitution.

6. Personally I hope that the provisions concerning the amendment of the constitution will be practical and flexible. It is my particular hope that in the Second National Assembly, there will be ample opportunity for all parties to propose constitutional amendments in accordance with the stipulations of the Constitution if they deem it as necessary.

In conclusion, the constitutional government based on the Three People's Principles is a people's government. Only when the opinion of the people can fully reflect, through legal channels, upon the politics and laws of our country, will this system be deemed as successful. The present National Assembly is the beginning of constitutional government. Local delegates and professional delegates are all elected according to law and members of the various parties and non-partisans have also participated. We are confident that all delegates to the National Assembly will express the opinion of the people. Those parties which have not participated in the present National Assembly to fully express their views, still have a chance to appeal to their electors in the forthcoming general election to take place within six months after the adjournment of the present National Assembly and their views can be referred to the Second National Assembly for a decision by the people. Therefore, the Government is earnestly and consistently hop-



ing that the Communist Party and other parties will comply with the PCC resolutions and that all participate in the making of the constitution, so as to accept the sincere co-operation of the Government, instead of continuing to reject the Government's offer thus preventing the realization of constitutional democracy. If the Communist Party does not give up its prejudices and does not participate in the National Assembly in accordance with the PCC resolutions, but determines to reject the sincere co-operation of the Government, then the Government, in the interest of the country and the people, can neither make any further concessions nor wait any longer. It will have no other choice except fulfilling its solemn promise to the people of convocating the National Assembly within a year after victory. On the other hand, a general election will take place according to law six months after the adjournment of the present National Assembly, in order that the Second National Assembly will meet, and all questions may be referred to the people of the nation for a decision. In this way, a constitutional government will be brought into being within half a year, and the long cherished desire of the National Government of returning political power to the people may be fulfilled.

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Dr. Stuart at Dr. Stuart's Residence, Nanking, November 7, 1946, 10:30 a. m.*

Also present: Col. Caughey

General Marshall opened the meeting by asking Dr. Stuart what his reactions were to the Generalissimo's proposed statement.<sup>63</sup> Dr. Stuart replied that there were many parts that he thought should be deleted and continued to enumerate the various deletions throughout the nine page document. Dr. Stuart added that the Generalissimo seemed very repetitious. Dr. Stuart thought that the Generalissimo might improve his statement by reiterating the four previous promises concerning: 1) Freedom of speech, religion, etc.; 2) Rights of political parties; 3) Public elections; 4) Release of political prisoners.

General Marshall said that he had been so discouraged upon reading the statement that he felt a completely new statement would have to be prepared. The Generalissimo's provocative, confusing, and irritating language so submerged the principal idea of the cessation of hostilities that the true significance of a statement would be lost. . . .

Dr. Stuart said that there were only two ways of handling the matter: 1) To make various deletions, and 2) to rewrite the whole

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<sup>63</sup> *Supra.*

paper. Dr. Stuart suggested that General Marshall attempt to re-write the paper. To this General Marshall acceded and concluded with the statement to the effect that the only real explanation needed in connection with issuing a public statement was the careful outlining of the necessity for the convocation of the National Assembly on the scheduled date.

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Marshall Mission Files, Lot 54-D270

*Memorandum by Colonel Marshall S. Carter<sup>64</sup> to the Deputy Chief of Staff (Handy)*

[WASHINGTON,] 7 November 1946.

1. This morning, 7 November 1946, I called on President Truman to deliver 1716<sup>65</sup> from General Marshall, and to pass orally to the President some additional information received from General Marshall.

2. The President asked that you convey to General Marshall the following remarks from him, which are quoted as nearly verbatim as I can remember them:

The President stated that he was continually and deeply grateful for General Marshall's patience and perseverance in China. He wanted General Marshall to be told, as he has so often told him before, that the President has the most complete and unwavering confidence in General Marshall's activities. He wanted General Marshall to know that he relied entirely and only on General Marshall's judgment in the China problem and that he would continue to do so, "At least as long as I am President".

3. The last quoted phrase above is a direct quote, word for word, of the President's remarks. Will you please pass these comments to General Marshall at the request of the President, when you see him in Nanking?

MARSHALL S. CARTER  
*Colonel, General Staff Corps*

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Dr. Stuart at Dr. Stuart's Residence, Nanking, November 8, 1946, 9:30 a. m.*

Also present: Colonel Caughey

Dr. Stuart opened the meeting by stating that members of the Democratic League had called on him to report that in a meeting last night

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<sup>64</sup> General Marshall's representative at Washington.

<sup>65</sup> November 4, p. 470.

with General Chou,<sup>66</sup> he (General Chou) indicated complete disdain for the Generalissimo personally and further indicated his belief that no reply from the Communists should be submitted concerning the Generalissimo's eight points.<sup>67</sup> The Democratic League members had reported to Dr. Stuart that they had encouraged, however, General Chou to prepare some reply, even though it merely acknowledged the fact that he had received the Government's eight points.

Dr. Stuart continued by stating that the Generalissimo had asked Philip Fugh<sup>68</sup> to come to his residence last night at which time the Generalissimo explained to Mr. Fugh that, through this meeting with him, he was endeavoring to help the American mediators to understand the real character of his difficult problems. Dr. Stuart reported that while Mr. Fugh was at the Generalissimo's he overheard General Chen Cheng,<sup>69</sup> who was arguing with Mr. Wu Te Chen,<sup>70</sup> say that the Government ought to fight it out once and for all (referring to the military situation).

Dr. Stuart continued by stating that General Pee<sup>71</sup> had just been in to see him to indicate that the Generalissimo was concerned over the progress being made by himself (Dr. Stuart) and General Marshall toward preparing a statement which he (the Generalissimo) might use. General Pee had also informed Dr. Stuart that the Generalissimo was having an important meeting at 1 o'clock today to decide whether a cease-fire order should be issued and whether the opening of the National Assembly should be postponed. Dr. Stuart continued by reporting General Chou's attitude with reference to the postponing of the National Assembly wherein General Chou stated that the postponement should not be long but rather only a period of one or two weeks, otherwise no progress could be expected.

Dr. Stuart again mentioned the bitterness shown by General Chou toward some of the major issues, such as: General Chou said that the Government honors those persons who have successfully been able to offset Communist demands by awarding to those persons a high Government position; General Chou said that Mr. Luce<sup>72</sup> had been invited to China by the Generalissimo in the hopes that Mr. Luce would be made Ambassador to China and further aggravate the Communists. In general, General Chou is in a bad frame of mind and seeing "ghosts" at every turn.

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<sup>66</sup> Chou En-lai, head of the Chinese Communist delegation negotiating with General Marshall.

<sup>67</sup> For Generalissimo Chiang Kai-shek's statement of October 16, see telegram No. 1677, October 17, from the Ambassador in China, p. 377.

<sup>68</sup> Assistant to Ambassador Stuart.

<sup>69</sup> Chief of the Chinese General Staff.

<sup>70</sup> Secretary General of the Kuomintang Central Executive Committee.

<sup>71</sup> Peter Tsong-kan (Chung-kan) Pee, personal aide to President Chiang.

<sup>72</sup> Henry R. Luce, editor in chief of *Time*, *Life*, and *Fortune* magazines.



At this point, General Marshall and Dr. Stuart carefully worked over a previous draft statement for the Generalissimo,<sup>73</sup> and came to an agreement on a rewritten version <sup>74</sup> which included all of the Generalissimo's conditions and views and therefore could not have American approval (inclosed). They then left for the Generalissimo's.

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Marshall Mission Files, Lot 54-D270

*Second Draft Statement for Generalissimo Chiang Kai-shek Prepared  
by General Marshall and Ambassador Stuart*

[NANKING,] 8 November 1946.

On October 16th I made public a statement regarding the policy of the Government, with a series of proposals as a basis for the termination of hostilities. I had hoped that this would evoke a response from the Communist Party leading to a final and complete cessation of war. Today, on the eve of the meeting of the National Assembly, I wish to reassert the consistent policy of the Government to promote internal peace and national unity and to carry through to consummation the conclusion of the period of political tutelage and the inauguration of constitutional democracy. As a further evidence of the sincere desire of the Government to achieve a lasting peace and political stability for the country, orders have been issued for all Government troops to cease firing except as may be necessary to defend their present positions.

In accordance with the resolutions of the PCC, the National Assembly was to have been convened on May 5th, 1946. However, the Communist Party and the Democratic League declined to submit the list of their delegates. Later, on July 4th, an announcement was made by the Government to the effect that the National Assembly would be convened on November 12th thus leaving a period of four months for discussions and preparations by all parties concerned. There has been objection to this procedure made by minority parties, especially on the grounds that certain steps in the reorganization of the Government under the PCC agreements had not been carried out. To these objections I would say that the general situation changed greatly after the determination of the agreed procedure for the political development of the Government, serious fighting having developed in Manchuria and spread into North China, and the demobilization of the Communist forces was not initiated as agreed upon and has not

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<sup>73</sup> See initial draft statement presented by General Marshall and Ambassador Stuart to President Chiang on November 7, Department of State, *United States Relations With China* (Washington, Government Printing Office, 1949), p. 676.

<sup>74</sup> *Infra*.

yet been started. Under these conditions the procedure for reaching political agreements was rendered ineffective. However, legally elected delegates to the National Assembly have already arrived in Nanking and any further postponement of the Assembly would serve not only to intensify political and military instability with the consequent sufferings of the people, but would deny the only legal step by which the Government can return political power to the people. Therefore, it is the decision of the Government that the Assembly be formally convened on November 12th.

In my recent statement of October 16th, the Government showed a spirit of conciliation which it was hoped would be accepted by the Communists in order that a complete settlement could be reached on all pending problems. The Government stands ready to provide ample opportunity for the Communist Party and other parties to develop along truly democratic lines. Militarily, however, no political party should maintain a private army. All troops should be servants of the state.

In the meeting of the National Assembly, the Government would reserve the Communist quota of the delegates in the hope that they will participate in the making of the constitution. The Government also hopes that the Communists will authorize their representative to participate in meetings of the Committees to discuss the immediate implementation of the measures for the restoration of communications and the reorganization and integration of armies as proposed in my statement of October 16th.

An agreement for the reorganization of the State Council should be reached and the Council formally established in order that it may immediately carry out its function for the reorganization of the Government in accordance with the PCC resolutions. As such reorganization involves a drastic change in the administration of the Government, it must be approached with careful deliberation.

As regards the draft of the Constitution, the Government will submit to the National Assembly the uncompleted draft of the Constitutional Drafting Committee. Whatever decision is made by this Assembly should be regarded as tentative pending further revision by a body representative of all parties, to be adopted at the following Assembly.

The next few weeks are of fateful importance to China. It is within our power to lay the foundations for a strong and prosperous democratic nation. We must overcome the serious but natural divergencies of view as well as deep suspicions and much bitterness. The time has come to arise above these difficulties and dedicate ourselves purely to the interests of the people. I am keenly conscious of the services and sacrifices of the armies of the Government and

I am deeply aware of the political convictions and long and patriotic service of members of my party, but I feel compelled to act at this time solely in the interest of the people who so urgently need and desire peace and security. I appeal, therefore, to the members of my own and all other parties, to my colleagues in the Government and in the National Army, and to all others concerned to unite in a final effort to reach an agreement by peaceful means for achieving "the democratization of the government" and "the nationalization of the armed forces."

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Marshall Mission Files, Lot 54-D270

*General Marshall's Notes on a Series of Meetings With Generalissimo Chiang Kai-shek*

[NANKING,] 8 November 1946.

On November 5th, Dr. Stuart and I called by appointment and there followed a lengthy discussion of the situation. My view was requested and I described in some detail a meeting that I had had the previous morning with three leading members of the Democratic League,<sup>75</sup> who were consulting me regarding an informal meeting to be held the following morning among the three parties (Government, Communist and Third Party) for a general discussion. The Democratic League representatives told me that the Generalissimo had favored such a meeting, but had stated that it should be confined to a discussion of the eight points of the October 16th statement. I had advised these gentlemen to start the discussion with the eighth point which related to the submission of names of delegates to the National Assembly and to explore the objections and the remedies therefor. Now, today (Nov 5) I was informed that the meeting had not been held because the Government declined to participate.

The Generalissimo replied that the Government would not participate because of indications that the Communists wished to eliminate American mediation. I replied that I regretted that there had been a failure to meet for this reason because it was not a matter that could be settled by pressure. The Communists either accepted us as mediators or did not accept us; they trusted us or did not trust us. The decision as to that could not be settled any other way.

The Generalissimo referred to the report of the meeting which was actually held between the Third Party and General Chou En-lai in which General Chou had been requested to state the Communist demands and had done so (Copy attached—Incl. 1).<sup>76</sup> He stated that

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<sup>75</sup> For notes on conversation of November 3, see p. 466.

<sup>76</sup> See notes on General Chou's statement of November 5, p. 472.



General Chou's reference to the settlement of the disputes in teams and in Executive Headquarters indicated the Communist desire to eliminate American mediation. I disagreed with this point of view, since most of the other of the eight points was involved in these adverse implications.

The Generalissimo stated that the time had come to stop the fighting and he was prepared for an unconditional termination of hostilities. He wished Dr. Stuart and me to advise him as to an announcement to that effect and with reference to the approaching meeting of the National Assembly. With some further discussion without important reference, Dr. Stuart and I withdrew to consider the Generalissimo's request.

We proceeded to draft a document which we thought presented the Generalissimo's views as to the termination of fighting and as to conciliatory attitude and also proposed the procedure for the meeting of the National Assembly which we thought might be acceptable to the minority party groups if announced by the Government. (See copy attached—Incl. 2).<sup>77</sup> However, before completing this document, we received most confidentially a draft of such a statement prepared by the Generalissimo (Copy attached—Incl. 3)<sup>78</sup> which we felt would not improve the situation and on the contrary was highly provocative, too lengthy, and difficult to understand.

On November 7th, Dr. Stuart and I met again with the Generalissimo and presented a Chinese translation of our draft and commented on his to the effect that it would be very unfavorably received abroad because of its length, its repetition of old arguments and its provocative nature. We also stated that so far as we could anticipate, it would arouse bitter feeling among the minority parties and that it would lose most of the valuable effect which might result from the statement that the fighting would be terminated.

In a lengthy speech, the Generalissimo explained that in preparing his draft he had to take into consideration a number of important points, namely:

a. While previously there had been a divided opinion as to the proper course to be followed by the Government, there had very recently become a complete unanimity in the Government as to the course to be followed which was one of force; the belief being that by no other method could matters be finally settled.

b. He must give careful consideration to the delegates who had been legally elected in 1936 and who had already assembled in Nanking. If they were, in a sense, ignored by any prolonged delay of the National Assembly, a very serious situation would arise which might even involve riots here in Nanking. Furthermore, that if he unduly

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<sup>77</sup> *United States Relations With China*, p. 676.

<sup>78</sup> *Ante*, p. 476.

accentuated the PCC influence on the procedure of the National Assembly as to the consideration of the Constitution, he would seriously offend this large portion of the party.

c. He must give very careful consideration to the Army, considering the losses sustained in carrying forward the campaign and now was to be greeted by the announcement of the cessation of hostilities with what amounted to a virtual unconditional surrender of the Government's position. He stated that the reference in our draft to the immediate and unconditional termination of hostilities could not be supported by him before the military and political leaders of the Kuomintang; that the morale of the Army would suffer greatly by such an announcement which would be a very serious matter.

d. He stands practically alone in the belief that matters could and should be settled by peaceful negotiations and the fighting stopped.

The Generalissimo concluded by asking us to consider his statements and to advise him accordingly as to what announcement he should make. I replied that I would have to have an opportunity to consult with Dr. Stuart as I was seriously concerned as to whether or not I should participate, as a representative of the U. S. Government, in the preparation of a paper in accordance with the point of view he had indicated which was generally antagonistic to my views and, I thought, those of the United States Government. However, I would discuss the matter with Dr. Stuart.

It should have been mentioned that the Generalissimo made quite a point of objection to a temporary adjournment of the National Assembly once it had convened, as proposed in our draft, on the grounds that this would probably be of indefinite length; would provoke the Government members here assembled in Nanking to serious reactions; and would be taken as a rather complete surrender of the position which had been held up to this time by the Government.

On November 8th, Dr. Stuart and I called on the Generalissimo at his request at 11:30. We had hurriedly prepared a redraft of our statement (Incl. 4)<sup>79</sup> to represent the points of view expressed by the Generalissimo and to eliminate the portions of our draft which were opposed thereto. He notified us on our arrival that there was to be a meeting of the political and military advisers at one o'clock today at which they would decide:

a. Whether there should be a cessation of fighting.

b. Whether or not the National Assembly should be postponed.

This was why he wanted to see us this morning. We submitted our draft with an oral statement of the various points that he made which had been included therein, concluding with the statement by me that in submitting this draft it must be understood that it did not have my approval as a representative of the U. S. Government, that we

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<sup>79</sup> November 8, *supra*.

had merely endeavored to help him as staff officers might assist him in drafting his views, but in the least provocative manner. To make doubly sure that this was understood, I repeated it very carefully at the termination of the meeting. That is, that the draft we had submitted did not have my approval and was only prepared to render him some assistance in the expression of his own views. I added that I was in rather complete disagreement with his military leaders.

The Generalissimo referred again to the meeting to be held at 1 o'clock and asked us to hold ourselves in readiness to meet with him later in the day. He expressed his thanks for our efforts and his understanding of our position.

During this meeting, Dr. Stuart had described at some length his meeting of the previous evening with General Chou En-lai and the representatives of the Third Party during which the decision was made by the minority group that a reply should be submitted to the Generalissimo's formal proposal of October 16th, and also the view was expressed that it was his desire for a limited period of say, two weeks after the initial convocation of the National Assembly, during which successful negotiations by the Committees might possibly be achieved. Throughout this meeting, General Chou displayed great bitterness toward the Generalissimo; contempt for any proposition that the eight points be considered and a state of complete distrust of the purposes of the Government.

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Dr. Stuart  
at No. 5 Ning Hai Road, Nanking, November 8, 1946, 6 p. m.*

Also present: General Pee  
Col. Caughey

Doctor Stuart explained that General Pee had brought to him the statement which the Generalissimo proposed to issue this evening. General Pee showed the statement to General Marshall and pointed out the parts where it had been changed over that submitted to the Generalissimo by General Marshall and Doctor Stuart. (The statement as shown to General Marshall was subsequently issued on the evening of 8 November<sup>80</sup>).

General Marshall told General Pee that he appreciated the Generalissimo's letting Doctor Stuart and himself see this statement prior to its publication but that he had no comment to make regarding it, as he was opposed to the Government's attitude.

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<sup>80</sup> *Post*, p. 493.



Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to President Truman*<sup>81</sup>

[NANKING,] November 8, 1946.

1735. DEAR MR. PRESIDENT: On November 3rd the Government agreed to attend an informal discussion of the various issues with the Communist and other minority parties. The following morning the representatives of the Democratic League called on me and asked my advice as to the agenda for the meeting that afternoon. Later Dr. Stuart was informed that the Government had not attended the meeting and that the Third Party had merely asked General Chou to state the Communist demands, which he did in an expansive manner covering every issue.

On November 5th, the Generalissimo sent for Dr. Stuart and me and questioned me regarding the developments. He explained the absence of the Government members in the informal discussions, previously agreed to, by stating that there were a number of indications that the Communists wished to eliminate American mediation. I expressed regret that the failure of the Government to participate in the meeting was for this reason stating that the Communists either accepted us as mediators or did not; that they either trusted us or did not. Government action could not force a decision in this particular matter. After much talk, the Generalissimo stated that the time had come to stop the fighting; he was prepared for an unconditional termination of hostilities. He wished Dr. Stuart and me to advise him as to an announcement to that effect together with a reference to the approaching meeting of the National Assembly in which he hoped the minority parties would be represented. Dr. Stuart and I then prepared a draft of a statement<sup>82</sup> which we thought presented the Generalissimo's views as to the termination of fighting and met the issues that were bound to be raised by the minority parties regarding conditions under which the National Assembly would meet and adopt a constitution. Meanwhile, we received a draft of a statement prepared by the Generalissimo which we felt would further complicate the situation as it was highly provocative, lengthy, argumentative and difficult to understand. Furthermore, it would not terminate the fighting in a way that promised more than a threat of future use of force.

On November 7th, Dr. Stuart and I again met with the Generalissimo at his request and presented him with a Chinese translation of our draft and frankly criticized his draft, particularly as to the recep-

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<sup>81</sup> Copy transmitted to the Acting Secretary of State by the War Department on November 9.

<sup>82</sup> *United States Relations With China*, p. 676.

tion it would receive abroad, and stated our certainty that it would merely aggravate the situation here in China. In a lengthy speech the Generalissimo explained that in preparing his draft he had to take into consideration a number of important points, namely:

*a.* That while there had previously been a divided opinion in the Government as to the proper course to be followed, now there was a complete unanimity of opinion, that no further compromise should be made and that Communists should be defeated by force.

*b.* That he must give careful consideration in relation to the organization of the Assembly to the delegates who had been legally elected in 1936 and now were assembled in Nanking and not emphasize the dominant importance of the Political Consultative Council agreements in contrast to the 1936 draft.

*c.* That he must also give careful consideration to the morale of the Army considering the losses that had been recently sustained, if they were to be greeted by the announcement of an unconditional cessation of hostilities which amounted to the virtual unconditional surrender of the Government's position and contentions. He added that the statement in our draft of an unconditional termination of hostilities could not be supported by him before his military and political leaders of the Kuomintang, and further explained that he stands practically alone in the belief that matters could and should be settled by peaceful negotiations and the fighting stopped.

The Generalissimo asked us to reconsider our draft in the light of his statements and to advise him accordingly. I replied that I would have to have an opportunity to consider with Dr. Stuart the points of view just expressed as I was seriously concerned as to whether or not I should participate, as a representative of the United States Government, in the preparation of a paper in accordance with the points of view he had indicated which were antagonistic to my views and those, I thought, of the United States Government.

That evening General Chou En Lai and the Third Party group called on Dr. Stuart. Chou was bitter in his expressions regarding the Generalissimo, and suspicious and opposed to virtually every proposal.

On November 8th, today, at the Generalissimo's request, Dr. Stuart and I called on him at 1130 hours. We had hurriedly prepared a redraft of our statement to include the points of view expressed by him the previous day and to eliminate the portions of our draft which were opposed thereto. He notified us that there was to be a meeting of the political and military advisers at one o'clock today at which they would decide whether or not there should be a cessation of fighting and whether or not the National Assembly should be postponed.

In submitting our redraft I stated that it must be clearly understood that this draft did not have my approval as a representative of the United States Government; that we had merely endeavored to help

him as staff officer might assist him in drafting his views in the least provocative manner, but that the draft we had submitted not only did not have my approval but that I was in rather complete disagreement with the attitude of his military leaders.

This evening he sent us the draft of the statement that is to be made by him, presumably tonight.<sup>83</sup> As there was some confusion in the translation, I cannot quote it at this time, but will send it on in the clear as soon as we receive the authentic copy.<sup>84</sup>

As to the fighting, I think the wording will be as follows:

"Orders have been issued for all Government troops to cease fighting except as may be necessary to defend their present positions."

The remainder of the statement was largely in the terms of our final draft, but contained some important modification. Through his staff officer who brought the statement to me, I sent him word that I appreciated his affording me an opportunity to read the statements in advance of issue, but that I expressed no opinion as I was not in agreement with the procedure or position indicated.

I have taken this position very carefully to avoid having the Generalissimo imply that his announcement met with American approval.

The trouble is, the method of stopping the fighting is not conclusive and still holds in effect, a threat of renewed battle to force a political decision. More important, the Government approach to the National Assembly is not, in my opinion, in sufficient accord with the Political Consultative Council agreements and means even if all delegates appeared, that a simple majority vote of the overwhelming Koumintang numbers could determine the character of the constitution without much consideration of the fundamental guarantees agreed to in the Political Consultative Council. Also, the approach to the Assembly does not now permit an opportunity for delegates of minority parties to assemble. The Government is unwilling to agree to any temporary adjournment after their formal convocation, which was the proposal of Dr. Stuart and myself. What the reaction of the minority parties will be to his statement, particularly as regards the order for cease firing under qualified conditions, remains to be seen, but I think the Government missed a great opportunity in not capitalizing in a large and conciliatory way on the proposal to stop the fighting, and I fear the Assembly will be an ineffective one party proposition.

G. C. MARSHALL

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<sup>83</sup> For text as released, see *infra*.

<sup>84</sup> Telegram No. 1736, November 8, not printed.



Marshall Mission Files, Lot 54-D270

*Statement by Generalissimo Chiang Kai-shek at Nanking on  
November 8*

On October 16th I made public a statement regarding the policy of the Government, with a series of proposals as a basis for the termination of hostilities. I had hoped that this would evoke a response from the Communist Party leading to a final and complete cessation of war. Today on the eve of the meeting of the National Assembly, I wish to reassert the consistent policy of the Government to promote internal peace and national unity and to carry through to consummation the conclusion of the period of political tutelage and the inauguration of constitutional democracy. As a further evidence of the sincere desire of the Government to achieve a lasting peace and political stability for the country, orders have been issued for all Government troops in China proper and the Northeast to cease firing except as may be necessary to defend their present positions.

In accordance with the resolutions of the PCC, the National Assembly was to have been convened on May 5th, 1946. However, the Communist Party and other parties declined to submit the list of their delegates. Later, on July 4th, an announcement was made by the Government to the effect that the National Assembly would be convened on November 12th thus leaving a period of four months for discussions and preparations by all parties concerned. There has been objection to this procedure made by minority parties, especially on the ground that certain steps in the reorganization of the Government under the PCC agreements had not been carried out. In this connection, I would say that the general situation changed greatly during the six months after the conclusion of the PCC conferences, serious fighting having developed in Manchuria and spread into North China, and the demobilization of Communist forces was not initiated as agreed upon and has not been started. Under these conditions the procedure for reaching political agreements was rendered ineffective. However, legally elected delegates to the National Assembly have already arrived in Nanking and any further postponement of the Assembly would serve not only to intensify political and military instability with the consequent sufferings of the people, but would deny the only legal step by which the Government can return political power to the people. Therefore, it is the decision of the Government that the Assembly be formally convened on November 12th as scheduled.

In my recent statement of October 16th, the Government showed a spirit of conciliation which it was hoped would be reciprocated by the Communists in order that a complete settlement could be reached

on all pending problems. The Government stands ready to provide ample opportunity for the Communist Party and other parties to develop along truly democratic lines. Militarily, however, no political party should maintain a private army. All troops should be servants of the state.

In the meeting of the National Assembly, the Government will reserve quotas of the delegates for the Communists as well as for the other parties in the hope that they will participate in the making of the constitution. The Government also hopes that the Communists will authorize their representatives to participate in meetings of the Committees to discuss the immediate implementation of the measures for the cessation of hostilities, the disposition of troops, the restoration of communications and the reorganization and integration of armies as proposed in my statement of October 16th.

It is hoped that an agreement for the reorganization of the State Council will be reached and the Council formally established. The reorganization of the Executive Yuan cannot be effected before the adjournment of the present National Assembly. As such reorganization involves a drastic change in the administration of the Government, it must be approached with careful deliberation.

As regards the draft of the constitution, the Government will submit to the National Assembly the uncompleted draft of the Constitutional Drafting Committee. Within six months after the adjournment of the present National Assembly, a general election will take place according to the adopted constitution. All parties and all citizens can then freely take part in this election, in order to bring into existence the next National Assembly which will exercise its functions as stipulated by the Constitution. Should any modification be found necessary in the next National Assembly, amendments still could be introduced by all parties.

The next few weeks are of fatal importance to China. It is within our power to lay the foundations for a strong and prosperous democratic nation. We must overcome the serious but natural divergencies of view as well as deep suspicions and much bitterness. The time has come to arise above these difficulties and dedicate ourselves purely to the interests of the people who so urgently need and desire peace and security. I appeal, therefore, to the members of my own and all other parties, to my colleagues in the Government and in the National Army, and to all others concerned to unite in a final effort to reach an agreement by peaceful means for achieving "the democratization of the government" and "the nationalization of the armed forces."

Marshall Mission Files, Lot 54-D270

*Memorandum by General Chou En-lai to General Marshall*

NANKING, November 8, 1946.

With reference to my memorandum under date of October 9th<sup>85</sup> which I requested to be transmitted to the Generalissimo, I have not as yet received a reply.

As regards the Generalissimo's statement of October 16th, I have already on October 17th explained the Communist attitude and views to the Government representatives, Wu Teh Chen, Shao Li Tze<sup>86</sup> and Lei cheng<sup>87</sup> in Shanghai. I also explained the same to the Third Party Group on October 18th. On the same day, I received a copy of Generalissimo's memorandum to you under date of October 17th<sup>88</sup> which was forwarded to me from your office. On return to Nanking I thereupon immediately explained our views to you and Dr. Stuart and I presume that you are familiar with those.

Since returning to Nanking all the negotiations were conducted through the Third Party. Through their good offices there is some possibility for the reconvening of the Committee of Three, the PCC Steering Committee and the Draft Reviewing Committee and we are still exerting efforts for this end.

CHOU EN-LAI

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Marshall Mission Files, Lot 54-D270

*Memorandum by General Chen Cheng to General Marshall*

[NANKING, November 9, 1946.]

The President of the Chinese Government issued an order to all the troops in China on 8 November to stop fighting and to remain in their present positions. This order will become effective at 12 o'clock noon 11th November. Please notify the Communist Representative, and ask him to attend the meeting of the Committee of Three to discuss cease fire measures. Prompt transmission of this information to the Communist representative and an early reply would be appreciated.

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<sup>85</sup> *Ante*, p. 345.

<sup>86</sup> Secretary General of the Chinese People's Political Council.

<sup>87</sup> Lei Chen, Secretary General of the People's Consultative Conference.

<sup>88</sup> *Ante*, p. 380.



Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and General Yu Ta-wei*<sup>89</sup> at No. 5 Ning Hai Road, Nanking, November 9, 1946, 11 a. m.

Also present: Colonel Caughey

General Yu Ta Wei presented to General Marshall a memorandum (enclosed)<sup>90</sup> addressed to him from General Chen Cheng which stated the desire that the Communists participate immediately in a meeting of the Committee of Three.

General Marshall asked General Yu Ta Wei what the Generalissimo's intention regarding cease fire measures was; in other words, how does the Generalissimo intend that the measures be developed. General Yu Ta Wei replied that it would first probably be necessary that the Communists issue a cease fire order and that then the Committee of Three should sit down at conferences in order to develop the various provisions, if any, that would be necessary to establish any troop redistributions or readjustments. General Yu continued by stating that a separation of troops in some way was possibly the most important thing to be done.

General Marshall pointed out that separating the troops would immediately involve the Committee of Three in certain arrangements which would have to be worked out very carefully in order that there be a common understanding by all concerned.

During the meeting a copy of the memorandum was delivered to General Chou En Lai. The meeting terminated with the understanding that future action must await General Chou's reaction to the Generalissimo's memorandum.

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Dr. Stuart at No. 5 Ning Hai Road, Nanking, November 9, 1946, 12:30 p. m.*

Also present: Colonel Caughey

Doctor Stuart referred to the meeting yesterday between the Third Party and General Chou En Lai concerning what attitude General Chou En Lai should adopt in answering the Government's eight points. The resulting letter<sup>91</sup> (enclosed) which had been sent to the Government yesterday through General Marshall was the result of this meeting. The letter is non-committal and refers only casually

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<sup>89</sup> Chinese Minister of Communications.

<sup>90</sup> *Supra.*

<sup>91</sup> See memorandum of November 8 by General Chou, p. 495.

to the eight points, however it holds open a hope for continued negotiations and peace. Doctor Stuart continued by reporting that he had had a conference with Mister Wang Ping-nan <sup>92</sup> who had asked him pointblank whether or not he or General Marshall had a hand in the preparation of the Generalissimo's November 8 statement. Doctor Stuart said that he slightly evaded the issue by saying that he and General Marshall had continuously been urging Generalissimo Chiang to issue some statement and that the Generalissimo's statement was probably partially a result of this urging together with long consideration of the problem.

General Marshall said that General Chou En Lai's letter referred to above (and enclosed) together with the Generalissimo's letter dated 9 November requesting a meeting of the Committee of Three, made the situation look rather hopeful.

Dr. Stuart said that the Third Party, the Communists, and Government representatives are meeting this afternoon at Dr. Sun Fo's <sup>93</sup> residence to attempt to work out some of the major political issues. Dr. Stuart said that he had just seen Mr. Hu Lin, editor of the *Ta Kung Pao*, and impressed upon him the importance of implementing completely a cease fire agreement in order to permit continued progress toward solution of the political issues. Dr. Stuart said that he had asked Mr. Hu Lin also to stress the importance of convening the Constitutional Draft Committee (including all parties) and the importance of establishing the State Council. Dr. Stuart added that the reorganization of the Executive Yuan was relatively unimportant at this time and could possibly be delayed.

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Marshall Mission Files, Lot 54-D270

*Memorandum by General Marshall to the Secretary of State*

OSE 569

NANKING, 9 November 1946.

Recently I called upon the U. S. Commissioner at Peiping <sup>94</sup> to give me his estimate of the extent to which the effectiveness of teams and Executive Headquarters had been limited by the ill will and suspicion generated by Communist propaganda.

Attached is a paraphrased message and his report <sup>95</sup> on this subject.

G. C. MARSHALL

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<sup>92</sup> Member of the Chinese Communist delegation.

<sup>93</sup> President of the Chinese Legislative Yuan.

<sup>94</sup> Lt. Gen. Alvan C. Gillem, Jr.

<sup>95</sup> Report dated November 6, not printed.

[Enclosure—Paraphrase]

*Lieutenant General Alvan C. Gillem, Jr., to General Marshall*

[PEIPING,] 5 November 1946.

10787 [Paraphrase]. 1715<sup>96</sup> is reference. Ill will and suspicion against American officers in the field, in my opinion, has reached the point where it would not destroy the usefulness of the teams but it would retard their work in Communist Party territory. Remaining largely unimpaired is the civilian confidence, in Communist areas, in the personal integrity and intent of the individual American officers assigned to Field Teams. The rank and file of the Communist Party army, on the other hand, are antagonistic, under the surface, as a result of the vicious propaganda. These rank and file regard conciliation with a tongue in cheek attitude. With a reversal in the controlled Anti-American propaganda, such could change overnight, I believe.

A complete lack of spontaneity appears to be the common denominator for all Communist inspired demonstrations. American witnesses unanimously indicate that such demonstrations as they have seen are supervised by the Communist Army authorities, deliberately staged, and attended by the people on order. Except when pressurized, the Anti-American campaign in liberated areas has been apparently unproductive as concerns the people and soldiers in the non-formal Army. There remains a doubt that the distrust and feeling of antagonism on the part of the formal army and the usual petty officials with whom, unfortunately, the teams are in frequent contact, has been intensified by the campaign. Taking the changes in the attitude of usual contacts as a gauge, the effectiveness of the field teams therefore has been adversely affected.

In the event of successful negotiation leading to cessation of hostilities, the effectiveness of our teams in Communist Party territory, will therefore be improved in direct proportion to the positive action by senior Communist Party authorities, endorsing our efforts as mediators, in instituting measures which will reverse the current propaganda which is Anti-American.

Will send more complete information by letter.

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<sup>96</sup> Not printed.



893.00/11-1046 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, November 10, 1946—7 a. m.

[Received November 9—11:44 a. m.]

1850. Chinese Government has informed Communist delegation in writing through General Marshall that cease-fire order becomes effective noon November 11 and requests that Committee of Three meet at once.

STUART

893.00/11-1046 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, November 10, 1946—10 a. m.

[Received November 9—11:06 p. m.]

1851. There is quoted below as released by the Central News Agency the substance of Generalissimo's cease fire order of November 8 which was addressed to all major commands and headquarters:

"Since the Japanese surrender last year, it has been the Govt's determined policy to seek national peace and unity and democratic reconstruction. It has been striving untiringly to solve internal disputes by political means in order to lay a sound foundation for the rejuvenation of the country, before the convocation of the National Assembly.

Although Govt forces have been forced to take up arms in self defense under the unprovoked attacks by the Communists, the Govt has never for one moment departed from this persistent policy and has made repeated concessions. As a result, a cease fire order was issued last January and another in June and, in addition, the convocation of the National Assembly was postponed from May.

In order to show the Govt's determination to carry out its policy, the Govt now once again issues another cease fire order. All Govt troops throughout the country should, beginning at noon on November 11, cease firing and remain at their respective positions in order to show the Govt's sincerity and patience in achieving peace."

STUART

893.00/11-946 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, November 9 [10?], 1946.

[Received November 9—11 p. m.]

1852. Reference Embtel 1848, November 9.<sup>97</sup> Communist delegation issued following press statement 4 hours after Generalissimo's statement:

<sup>97</sup>Not printed; it submitted text of Generalissimo Chiang's statement of November 8, p. 493.

"Communist representatives had not been previously consulted regarding the 'cessation of other military operations' (their interpretation of Chinese text of Generalissimo's statement 'Orders to Cease Firing') which was pronounced by the Kuomintang Government unilaterally. Moreover, the expression 'except as may be necessary to defend their present positions' may serve as the pretext for all kinds of military operation. As to the proposed measures on political matters they all conflict with the decisions and agreed procedures of the PCC. In view of this there is no cause for optimism."

Third party spokesman criticized what they called "violations of the PCC resolutions and procedures ["] listed as: (1) fact Generalissimo offered to reserve seats for minority groups in National Assembly; (2) unfinished draft constitution would be submitted to National Assembly in violation of PCC procedure which calls for completed draft to be submitted for discussion and approval; (3) Constitution itself should establish means for its amendment.

Lo Lung Chi, Democratic League spokesman, said: "Statement talks of amending constitution after 6 months. If Government has no more faith than that in document, how can it expect the people to respect and obey its provisions?"

STUART

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and General Yu Ta-wei at No. 5 Ning Hai Road, Nanking, November 10, 1946, 9:30 a. m.*

Also present: Col. Caughey

General Yu Ta-wei told General Marshall that the Generalissimo would like to know General Marshall's reaction to the present situation. Before discussing his reaction to the present situation, General Marshall asked General Yu Ta-wei whether or not he (General Marshall) had been correct in his statement to General Chou En-lai that the Committee of Three, according to the Government representatives, was to discuss only the matter of cease-firing. General Yu Ta-wei answered that this statement was correct.

General Marshall then continued by telling General Yu Ta-wei that he thought the best procedure would be to convene the Committee of Three and let General Chen Cheng discuss the situation from the Government's viewpoint, then to see what steps might be taken to resolve the problem. General Marshall added that as a result of the Committee meeting, it would be definitely known whether or not General Chou En-lai insisted on discussing political matters.

General Yu Ta-wei stated that since the question of cease-firing is the principal matter to resolve, he felt the Committee of Three

should not dwell on matters of reorganization of the government, redistribution of forces, at this particular time. He thought also that discussion of political matters should be ruled out. General Yu Ta-wei stated that the Government would come prepared with a draft which might be considered, and asked General Marshall for his views on that course. General Marshall informed General Yu that he thought that would be the best procedure. General Marshall asked General Yu to be sure to ask General Chen Cheng to handle his discussion most tactfully in order to "save face" for General Chou and prevent General Chou's developing the idea that he was sitting down at a conference table for the purpose of "surrendering".

In elaboration, General Marshall suggested to General Yu Ta-wei that he include in the draft, which was to be brought into the meeting by General Chen Cheng, some statement concerning the holding of troops in their present positions; then cover the arrangements that would be necessary concerning the handling of troop commanders on both sides; and then include instructions as to how the orders would be interpreted by field teams of Executive Headquarters.

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Marshall Mission Files, Lot 54-D270

*Memorandum by Colonel J. Hart Caughey to General Marshall*

[NANKING,] 10 Nov[ember 1946.]

Dr. Stuart just called (telephone) to give you the background of recent events for your use in connection with General Chou's meeting this morning. Developments are proceeding unexpectedly well. He already reported the results of the meeting yesterday afternoon at Sun Fo's residence (wherein Chou requested postponement of National Assembly). There was a meeting with the Generalissimo last night and the Generalissimo's reaction was favorable in that he showed readiness to participate in any way possible to arrive at a peaceful solution. This afternoon there is to be an informal meeting of the Steering Committee of the PCC. Dr. Stuart reported that the Steering Committee is practically agreed on the composition of the State Council; they appear to have agreed that the reorganization of the Executive Yuan should be planned for before the National Assembly but not announced until after the National Assembly. Dr. Stuart believes that the Third Party Group is going to plead with himself and you to approach the Generalissimo with the idea of requesting temporary postponement of the National Assembly.

Dr. Stuart added that General Chou presently remains in a bad frame of mind possibly due to recent military losses and that he should be coaxed into a conciliatory frame of mind.



Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and General Chou En-lai at No. 5 Ning Hai Road, Nanking, November 10, 1946, 11 a. m.*

Also present: Colonel Caughey

Mister Chang<sup>98</sup>

Captain Soong<sup>99</sup>

GENERAL CHOU: I read the Generalissimo's statement the day before yesterday and yesterday I read the Generalissimo's order in the papers. Following that I received General Chen Cheng's memorandum<sup>1</sup> brought over by Colonel Caughey.

With regard to the Government's order, I was not informed beforehand either by the Government directly or through the Third Party or through you. Up till now I have not yet been acquainted with the purpose of the Government—whether it is merely having in mind the National Assembly or the whole situation. Before I make any comment, I would like to hear from you on this matter as you may know what has been going on. In this manner I will have some more information as a basis for consideration.

GENERAL MARSHALL: Starting at the conclusion, I am not familiar with exactly what General Chen Cheng has in mind. I have not talked to him nor has he sent me any information on the subject.

Going back to the Generalissimo's statement, my assumption was that his order for his troops to cease fighting, except in self-defense, was to create a more favorable situation for the meeting of the National Assembly. My efforts had been to secure an agreement for the formal cessation of hostilities. I was encouraged by this memorandum from General Chen Cheng, because while I have been told nothing of what he has in mind, my assumption would be that he is desirous of talking about the cessation of hostilities. I would assume that what was wanted was an agreement as to the draft of an order for the troops of both sides terminating the fighting. It may be that that is not exactly what General Chen Cheng has in mind, but I can think of no other purpose in the meeting of the Committee at this moment. It would seem to indicate a possibility for an immediate arrangement for an unconditional termination of hostilities, but I don't know. The fact of the matter is that I have been in disagreement with both sides, but I was rather encouraged to see this memorandum from General Chen Cheng.

My understanding at the present time of the situation on the Government's side is this. The principal military leaders and political

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<sup>98</sup> Chang Wen-chin, secretary to General Chou En-lai.

<sup>99</sup> John L. Soong, U. S. Army, language aide to General Marshall.

<sup>1</sup> November 9, p. 495.

leaders are of the opinion that the only way to settle the issue is by force. For some reason, which is not clear to me, this belief has become more common and stronger recently. On the other hand, as I have been led to believe, the Generalissimo has been of the opinion that the fighting should be stopped and a final effort made to reach a peaceful settlement. In this he has met the opposition of the military and political leaders I have just referred to. According to this, his statement of the other day appears to be about halfway between the two views. But apparently, though I have received no indication of this, the last paragraph of General Chou's memorandum to me of November 8th, may possibly be responsible for this memorandum of General Chen Cheng's—I don't know. From your point of view, they might seem unrelated except as to the reference to the Committee of Three in both, but the point at issue in General Chen Cheng's memorandum, it seems to me, is possibly an amplification of the Generalissimo's statement regarding the cessation of fighting.

I have not seen any of the Government leaders except the Generalissimo for a long time and I have not seen the Generalissimo since Thursday.<sup>2</sup> I have only seen General Yu Ta Wei yesterday when he brought General Chen Cheng's message. He merely requested me to have it delivered to General Chou. He stated that the Generalissimo desired to have the action of the Committee by the morning of the 11th. I can think of nothing else to add.

GENERAL CHOU: Regarding the cease firing, if the Generalissimo's unilateral order is thought to relieve the atmosphere before the meeting of the National Assembly, then I recall that on June 30, Dr. Peng Hsueh Pei,<sup>2a</sup> in his statement to the press, used a similar expression saying that the Government has issued an order to cease aggressive action against the Communist troops except those for the purpose of self-defense. Now, the unilateral order of the Generalissimo at this moment is of similar expression, but we all know that since July the self-defensive action of the Government troops has been enlarged to cover all the Communist areas and led to the occupation of nearly 100 cities. If all these actions should be called self-defensive action no one can find a satisfactory explanation. Therefore, judging by this order alone, except for changing the atmosphere, it does not bring any substantial alteration to the situation, unless you are aware of some other effective measures. However, from what you have just conveyed to me, it seems that there is no indication of that.

As to the National Assembly, there are only two days left before it will be formally opened. Up till now no political agreement whatever has been reached among the Government, the Communist Party,

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<sup>2</sup> November 7.

<sup>2a</sup> Minister of Information.

and the Third Party. Therefore, to convene the National Assembly at this moment by the Kuomintang is entirely contradictory to the PCC resolutions and such a National Assembly has never been recognized by us. Now the crux of the issue has resolved itself into this; that either the Government will call off the National Assembly and, in accordance with the PCC resolutions, call the Steering Committee of the PCC together to settle all the points in accordance with the PCC resolutions and procedure (which means the reorganization of the Government, the completion of the Draft Constitution revision, discussion of matters relating to the National Assembly and resolution of local administration, protection of the freedom and rights of the people), or else the Kuomintang Government would ignore the opinions of the Communist Party and the other parties, whether they agree or not, and call the National Assembly formally on November 12th and assert that this Assembly is a legal one. Should the latter course come to pass there will be nothing that can be done here and the procedure of the PCC will be torn to pieces and there will be absolutely no basis for calling any kind of meeting of a political nature.

As to a discussion by the Committee of Three according to the Generalissimo's statement, it was said quite explicitly that he wants the Committee of Three to be convened, that the Communist Party will nominate its delegate and the discussion will be held on the basis of the eight points enumerated in his statement of October 16th<sup>3</sup> to work out measures for the cessation of hostilities, restoration of communications, the implementation of the army reorganization plan and the determination of the location of troops. Thus, in his statement, he has actually laid down the conclusions. Since I proposed the convening of the Committee of Three nearly five months has elapsed and the Committee of Three has not met for over four months. Of course we still welcome the convention of the Committee of Three, but prior to that I must clear my mind on two points:

1. Suppose the discussion of the political matters today and tomorrow does not reach a settlement and the National Assembly instead of being called off is actually opened on November 12th. Politically there would be a state of a split and that certainly will exert some effect on the military matters. So the question is whether the discussion on the agreement for the cessation of hostilities will be successful.

2. According to the Generalissimo's statement the discussion of the Committee of Three should be based on the eight points of his statement which the Government will insist upon, but which are unacceptable to the Communists. In other words, before the meeting is being called we will all be aware that there is little likelihood of success, as you have told me many times ago if we did not have a preliminary preparation for discussion you would not favor the formal convening of the Committee.

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<sup>3</sup> *Ante*, p. 377.



We can see that the Committee of Three is being faced with these two situations and I would like to hear what your evaluation is of the prospect since you are the chairman of this Committee.

GENERAL MARSHALL: I have already told you that I have had no conversation on the details intended for the meeting on the part of General Chen Cheng. My impression is, judging from General Yu Ta Wei's statement that the Generalissimo desired the result by tomorrow morning, the 11th, that they are proposing a meeting merely to discuss the termination of hostilities rather than go into the distribution of troops and matters of that sort because no one could conceive of such matters being settled by tomorrow morning. Therefore, I would suppose that what is wanted is an [*in*] effect a joint order for the termination of the fighting; and which I assumed the Communist Party and you would like to see become effective. Throughout the discussions of the summer and the fall it has been a demand of yours that there be a meeting of the Committee of Three to terminate the fighting before any of the political matters can be settled. In other words, the negotiations regarding distribution of troops, regarding State Council, etc., should be preceded by a termination of the fighting. Judging as I say by the expressed desire of the Generalissimo to have the result of this meeting by tomorrow morning, it would appear that what the Government wants is an agreement with you for a formal cessation of hostilities. But I repeat again I am judging that from the indication as to tomorrow morning and I repeat again for your better understanding of my point of view that I have not been in contact with these military leaders and I have been in disagreement with them. Notwithstanding the fact that I do not know specifically just what course such a meeting might take, the prospect would appear to me to be favorable towards terminating the fighting and I would think that the Communist Party would make a mistake in not taking advantage of what appears to be an opportunity to that end. If other matters are brought up, and regarding which I am totally uninformed, it remains within your province to state your unwillingness to go ahead on that basis but I do think that when there appears to be a chance of stopping the fighting that nothing should stand in the way of doing it, as this is what we have been struggling for all summer long.

GENERAL CHOU: It is true that cessation of hostilities is what we have been struggling for all the time but at the same time it is our sincere hope that the peace we get is a genuine and lasting one. Not a false one like what we had after the agreement of March 27<sup>4</sup> which was completely ignored. It led to large scale fighting in Manchuria and also after the June armistice Doctor Peng also stated that the

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<sup>4</sup> Vol. IX, p. 603.

Government would not take any further aggressive action, but merely defend themselves. Again it led to aggressive action into a vast area. Now this time you just stated that it would be best to have the fighting stopped then to discuss the matter of the government reorganization. But at this juncture it leads me to this statement: Discussions concerning the National Assembly are affiliated with discussions of peace; the National Assembly should be convened amidst a peaceful atmosphere and it should be called by a reorganized government according to PCC resolutions. But now the government has not been reorganized and the National Assembly is already going to be convened. How can one be made to understand what is behind it? The question of the National Assembly is a political matter and the military matters will be subject to political matters. Even the democratic tradition of America would respect this point. Now, moreover, the Government is again vigorously violating the Draft Constitution in that the whole matter is being turned over to the Legislative Yuan. From these actions I certainly see no indication of a genuine desire for peace. Therefore, with respect to the Committee of Three, it seems to me that in the first place a discussion of the cessation of hostilities is connected with the question whether the National Assembly will be convened. As a matter of fact there are two days left before the opening of the National Assembly and it is inconceivable that while militarily we have the truce, politically we have an immediate split. Under such circumstances everyone will doubt whether a cease firing order can be effective. I see no way that I can convince Yen-an and the Communist military commanders, local authorities, and the people in the liberated areas that such a cessation of hostilities will be genuine. This leads me to ask you whether, according to your evaluation, there is still any measure that can lead to the calling off of the National Assembly. We might then have a discussion of the political and military matters. We can convene the Committee of Three to discuss the military matters and convene the Steering Committee of the PCC to discuss all the political issues so that in both the military and the political matters we will find an overall solution. If, according to your evaluation, there is such a possibility, then within these two days we will still make a last attempt and, if there is no such possibility, my whole mission is being put on a questionable basis. I cannot conceive it to be my mission that while at the same time as I am discussing the cessation of hostilities, on the other hand I am acquiescing in a political split. Should the circumstances lead to such a stage, which I am most unwilling to see, I can see no other way than to inform you that the Communist delegation here needs to go back to Yen-an for holding a meeting and for seeking new instructions in order to re-evaluate the changed situation. In this event I would have no way to execute the

instructions I have so far received and I would have exhausted all my resources, my forbearance and patience in seeking a compromise. So the only thing I could do is to let the delegation go back to report its work, have a meeting and see whether some new measures could be worked out.

GENERAL MARSHALL: I have had no indication from the Government that they would postpone the National Assembly. I had hoped there might be a compromise solution in the form of a temporary adjournment after formal convocation; adjournment for a definite limited period, during which certain steps might be taken. I have had no information that such an adjournment would be considered. Just before your arrival, a telephone message came to me from Dr. Stuart. I did not talk to him directly, I just have these notes.<sup>5</sup>

I might say first that I have not been a participant in these various discussions of a political nature, though I have been called upon by the members of the Third Party who have asked my advice from time to time.

Dr. Stuart is rather optimistic this morning. He referred to the meeting yesterday afternoon, at which I believe you were present. He states that there was a meeting with the Generalissimo last night and that his (the Generalissimo's) reaction showed a readiness to participate in any way possible to arrive at a peaceful solution. He (Doctor Stuart) referred to a possible informal meeting of the Steering Committee of the PCC this afternoon. Now that is all of my information at present.

I am rather badly confused at the moment and I think it is due to the struggles within the Government on one side and my difficulties there, and the overwhelming suspicions on the other side, yours in particular. Frankly I think that, whatever the provocation, you have reached the point where you do not believe anything. Therefore it is very difficult to discuss the various issues. Time after time I have labored with the Government to have them moderate their stand, to have them commit themselves to definite statements regarding matters that I felt certain were strong desires of the Third Party and the Communist Party group, only to find that this result of my effort was viewed with profound suspicion. So I was left between the antagonism of the political and military leaders of the Government to what I had insisted upon and to the suspicion and refusal on your part on the other side, which was rather an impossible situation for me. That has happened a number of times. I have actually had incidents where after days of effort I prevailed upon the Government to express themselves in certain definite language which they did not want to do at all and then found that language thrown back in my face. I

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<sup>5</sup> *Supra.*



may have been wrong in the choice of words, but certainly there was no evil purpose and certainly they were not the Government's words and certainly the facts were that it had been extraordinarily difficult to secure any such commitment on the part of the Government. So I repeat again that I am badly confused.

GENERAL CHOU: I am also badly confused.

GENERAL MARSHALL: I am badly confused and I have welcomed the intervention of the Third Party to relieve me from the burden of misunderstandings. Now again I am in a confused state. While we did not have any information beyond the statement in General Chen Cheng's paper, yet I was greatly encouraged because it looked as though the Government was going to commit itself to what I had been insisting upon. That was my evaluation of this. To go back to your final question—that is my evaluation. I repeat that I have been given no information by the Government that they would delay the meeting of the National Assembly or that they would agree to a temporary adjournment after formal convocation for the purpose of certain actions such as the completion of the draft of the Constitution by the PCC Committee and the completion of the organization of the State Council. I was encouraged by this (indicating General Chen Cheng's letter). I was encouraged by Doctor Stuart's message to me this morning. I am discouraged by what you tell me. But I do think, especially in view of the tremendous factors involved for the people of China, that you have to be on guard against such overwhelming suspicion in endeavoring to logically estimate the situation.

I am being very careful in my statements so that there can be no misunderstanding, I hope, on your part. Throughout the summer and the fall I have been very careful to give you all of what I considered the bad tidings in order that there be no confusion in your mind as to the attitude of the Generalissimo as I could then determine. At least once, Doctor Stuart had talked to you and given you one impression. I very carefully discounted that, in other words tore it down, because I did not think it was in strict accordance with what the Generalissimo had actually said to me and which I wanted you to clearly understand.

GENERAL CHOU: I would not like to cause any misunderstanding as to the language because I have been working with you for a rather long time and I would not care too much about the language. Now as regard the statement of the Generalissimo, the political nature of that statement outweighs the military nature. In that statement regarding the political matters—and the Generalissimo has written quite elaborately, giving detailed steps—he is perfectly aware that that has no relation with your efforts. It is entirely something worked out by the Generalissimo. Moreover, yesterday the General-

issimo again sent a letter to the Legislative Yuan and instructed the Legislative Yuan to complete the draft constitution which was largely unfinished by the PCC. This has also been published in the press—and again Mr. Chang Li Sheng, the Minister of Interior, stated publicly that the National Assembly would not be delayed nor adjourned. It is quite obvious that the National Assembly will meet as scheduled. If your assumption is correct that there will be cease firing during the period of the National Assembly meeting, I am the more confused as to how it would work out. I don't see how discussion on cease firing could be conducted while, at the same time, the National Assembly is in session. This would mean that militarily, we would have cease fire, but politically, we could have a split. I am confused as to how to render a report to Yen-an, and this is not a matter of suspicion or misunderstanding. It is indeed inconceivable to me to have both cessation of fighting and political split all at the same time. This is insensible as well as illogical, and I will certainly appreciate it if you can explain to me just how that can be done, just as a friend, if you would care to. As far as I can see, I don't see any sign of optimism. Instead, there is only confusion.

GENERAL MARSHALL: I agree with you as to the confusion. I suffer as much as you do. Maybe more so, because I am not accustomed to the peculiar ways of Chinese political maneuvering, and I am also not too well informed as to their psychology. Further, I cannot know what is behind the Government in its various political moves nor can I be fully certain what is behind the various political moves of the Communist Party. We have a saying—it may be one of Confucius' I don't know—"While there's life, there's hope", and I have been traveling on that a good many months.

The Communist Party has been very determined in its stand in regard to the PCC resolutions, particularly as to procedure. The two aspects of the PCC are the fundamental principles agreed to and the procedure—ways and means—to implement those fundamental principles. My impression recently is that there is more intensity given to procedure however, circumstances having distorted the picture, than has been given to the fundamental principles.

In the knowledge that I now possess and with no other information than I have given you regarding the attitude of the Government, I would certainly advise participation in the meeting of this Committee of Three as quickly as possible. By this means you could determine whether or not there was merely the order for the cessation of hostilities involved, which might be rather quickly agreed to. You could also determine if that might lead to adjustments regarding the issue of the National Assembly and the reorganization of the Government.

I have felt all along that we missed a great chance last summer to head off much that has already happened, militarily, if the proposal of Dr. Stuart and myself about the meeting for the State Council could have been attempted. But General Chou's condition was first unconditional termination of hostilities. I now get the impression that this proposal of General Chen Cheng's means that, regardless of how inconceivable it may seem to you that hostilities be terminated on the one side while political failure and complete cleavage be the state of affairs on the other. Nevertheless, I had assumed that the chances for effecting some agreement regarding the political measures would be enhanced or improved. I did not expect this proposal of General Chen's. It came as a surprise to me. I did not think the Government would issue it. Therefore, I was encouraged by it, whereas I believe you are discouraged by it.

GENERAL CHOU: During the time Dr. Stuart participated in the discussions it was hoped that there would be a cessation of hostilities, but now there are different factors that have to be considered. At that time, there was no impending National Assembly, so once we had a guarantee of the cessation of hostilities we would have had ample time to discuss the National Assembly. In that way we might have moved simultaneously in the field of military and political matters. Now, the situation has changed so greatly that the National Assembly will be convened within two days. Militarily speaking, there is also some change in that the Government has occupied a number of Communist areas and has now sent many troops into the areas under Communist control. That factor also has to be taken into consideration.

We must pay a thought as to what we will do after the cease firing. The Government stated time and again that the situation has changed. That was repeated in the latest statement of the Generalissimo. Now the Government wants a cease fire after it has taken Kalgan and An-tung and we may expect that after the Government has occupied more areas it would be still firmer for the cessation of hostilities.

So, under the present circumstances, we have to take into consideration both the military and political factors. The pressure now has become heavy and there is almost no breathing spell for us. I cannot see any compromise steps with regard to the National Assembly.

This afternoon, at three o'clock, we will have the informal steering committee meeting. I will make another try. Militarily I think we may just as well call an informal meeting of the Committee of Three. I hope that you can invite General Chen Cheng here for an informal discussion so that we can know his idea about the military matters and in what relation they stand to the political matters so that he can at least clear my mind.



I am telling you all this with a frank heart because I clarify myself and I find it difficult to make suggestions to Yen-an. If I myself am in a confused condition how could I make a report that would clarify Yen-an. I presume you would understand my situation.

GENERAL MARSHALL: When do you suggest we hold that meeting.

GENERAL CHOU: Either this evening or tomorrow morning.

GENERAL MARSHALL: At 8:30 or 9 o'clock or tomorrow morning?

GENERAL CHOU: Any time that would be convenient to General Chen Cheng.

COLONEL CAUGHEY: I will telephone General Chen Cheng to find out the acceptable time.

Meeting adjourned for lunch.

Marshall Mission Files, Lot 54-D270

*Minutes of Informal Meeting of Committee of Three: General G. C. Marshall, General Chou En-lai, and General Chen Cheng at No. 5 Ning Hai Road, Nanking, November 11, 1946, 10 a.m.*

Also present:

General Yu Ta-wei

Mister Chang

Colonel Caughey

General Kuo<sup>6</sup>

Colonel Underwood<sup>7</sup>

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GENERAL MARSHALL: Are you gentlemen ready to start the discussion?

GENERAL CHEN: Yes.

GENERAL CHOU: Yes.

GENERAL MARSHALL: I want to ask you gentlemen, in view of the strong feelings of which we are all aware and the deep suspicions of both sides, that in the discussion this morning you endeavor to exercise as much restraint as possible. That will greatly simplify my responsibility in the matter.

In view of the fact that the Chief of Staff initiated this meeting I will ask him to state what particular issues he wishes to discuss.

GENERAL CHEN: I would like to state briefly the hope which I cherish in my mind regarding the military problems. Among those problems the cessation of hostilities seems to me the most important. I hope that the cessation of hostilities will be discussed in this meeting today. I would like to know the views of General Marshall and General Chou. As to the related problems, such as reorganization of the army, restoration of communications, etc., I hope they can be taken up in the very near future.

<sup>6</sup> Gen. Kuo Chi-chiao, Deputy Chief of the Chinese General Staff.

<sup>7</sup> Col. G. V. Underwood, member of General Marshall's staff.

GENERAL CHOU: Regarding the cessation of hostilities, except that I have learned about the order unilaterally issued by the Government, I was completely uninformed before this meeting and I have no other information as a basis for the discussion of this informal meeting of the Committee of Three. In this connection, I recall that in the past we have two different kinds of experiences:

1. The joint signing of the agreement of January 10th which is the fundamental basis for all the cessation of hostilities.

2. The armistice agreement with regard to Manchuria in June which covered a period of 15 plus 8 days. At that time, the Government brought forward three subjects for discussion as a condition precedent to the formal cessation of hostilities.

These two agreements are of a general nature. Apart from that we have another one which is the March 27th agreement regarding the entry of field teams into Manchuria. All these agreements were preceded by discussions, so we were all familiar as to what preparations and undertakings we had to make.

Particularly in view of the fact that I am now in Nanking being far away from our own areas, I have to depend on telegrams and messengers to make contact with our party; this made it impossible for me to get enough information before this meeting for adequate preparation.

The second kind of experience is that of June 30th, when Minister Peng Hsueh Pei, on behalf of the Government, made a statement with regard to the unilateral cease fire. In that statement he said that the Government had issued an order to stop fighting and was prepared to stay on the defensive. However, we have had bitter experience, for under the slogan of "defense", fighting went on for four months and the Government troops advanced occupying a vast part of our areas and capturing nearly 100 municipalities and cities. Eighty-six percent of the Government troops are massed in the adjacent areas or within our areas.

We have these two kinds of experience. Now, the question is, will the present cease fire order fall into the first or the second category? I am very much confused as to which category it will fall into for the following reasons:

1. All my information is based on the reports from the front and the movement of Government troops. For instance, today I received information that the Government troops are being regrouped around the Yen-an area and that the reorganized 27th Division, 1st Division and 9th Division, all commanded by General Hu Chung-nan, are being concentrated toward North Shensi. Some have reached Chungpu, Yichun, Tungkwan, and some have reached Hancheng. The units under command of General Ma Hung-kwei have reached the two banks of the Yellow River moving toward Yenchih and Sanpian.

2. The Government Air Force is flying incessantly over Yen-an, reconnoitering and making demonstrations. Even yesterday as many as 14 planes came over Yen-an. The Government liaison officer in Yen-an has requested permission to evacuate his staff and radio station.

This is a situation which proceeds [*precedes*] an attack. As to North Kiangsu, the Government troops are now vigorously attacking Yencheng and on the Pinghan railroad vigorously attacking Yishui. Possibly they have captured that city by now.

These circumstances cannot but lead me to presume that the present cease fire order may actually fall under the second category.

Another still more serious political factor is the National Assembly convened by the Kuomintang which is due to meet tomorrow. This National Assembly is not convened in accord with the resolutions and discussions of the PCC. Once this National Assembly is opened, it would indicate a political split. Since the representative of the Communist Party and the Third Party Groups came to Nanking to resume discussions on October 21st everyone has made his best efforts in seeking a solution. However, unexpectedly at this moment, the Government made a surprise move of issuing the unilateral cease fire order, while the National Assembly is still going to meet leaving all the outstanding issues unsettled. At this moment we are still continuing to make efforts. Politically we have held a round table meeting, and yesterday we again had another informal meeting of the Steering Committee. Thus, we are making all kinds of exertions, but last night the Third Party groups were informed by the Government that this Steering Committee probably would not meet today and that the National Assembly will still be opened as scheduled tomorrow. According to the Government representative, the only way to save the situation is for the Communist Party and the Third Party Groups and non-partisans to submit the lists of delegates. Of course, we are all aware that this is not possible because this National Assembly is not what we have agreed upon. All the issues are still unsettled.

So, we are facing a situation that the National Assembly will meet tomorrow and its opening will indicate the political split. Under these circumstances, i. e., a political split, how may we have a military truce? Military matters should always follow the political matters. Furthermore, we have to take into consideration that this present cease fire order is a unilateral one and it, like Dr. Peng's statement at the end of June, includes a proviso that the Government will stop attacks, but still reserve its right for defense. Thus, while on the one hand we are heading for a political split, on the other hand a unilateral order has been issued for cessation of hostilities, but still retaining the handy pretext of "defense".



So, I feel quite at a loss as to how to approach the discussion on the cessation of hostilities. For this reason yesterday I stated to General Marshall that I would make a last attempt, hoping that the National Assembly will eventually be called off so that in the military discussions we may arrive at positive results. But today it seems that this hope is almost non-existent and, therefore, we are all the more left without a basis to approach the question of cease firing. Of course, I am aware that General Chen merely represents the Government on the military matters and it would be difficult for him to make a reply as to whether the political situation can still be saved or not.

Since this meeting is an informal one, may I take the liberty to ask a question which is somewhat outside the scope of our discussion? Both General Chen Cheng and General Yu Ta-wei are members of the Government so may I ask them whether, according to their appraisal, there is still some chance to save the situation? If there is still some possibility to save the situation in the political field, then I can also make every kind of consideration of the possibilities in the military field. Therefore, I feel that I cannot but ask this question.

GENERAL MARSHALL: I suggest that we have a five-minute break for tea.

GENERAL MARSHALL: The meeting will please come to order. I wish to ask General Chen to express his views.

GENERAL CHEN: Does not General Marshall wish to present his views?

GENERAL MARSHALL: I would first like to see the Government proposal for the termination of hostilities.

GENERAL CHEN: I have in mind to propose how to stop the fighting. As General Chou has already pointed out, the present cease fire order issued by the Government is unilateral. In this present meeting or informal discussion I hope that some means will be worked out so that the war will be stopped completely and we find a way to accomplish that. The measures for the cessation of hostilities to my mind are: first, that hostilities will be stopped on the spot pending the arrival of field teams to make readjustments. Second, after the arrival of the field teams to the different areas, ways and means should be worked out to separate the opposing forces and to arrange for necessary movement of troops away from each other. Third, some means must be worked out for solving disagreements in the field, in field teams and in Executive Headquarters.

After listening to General Chou and after a short discussion with General Chou just a minute ago, I think that both sides still lack mutual confidence. I hope earnestly that this mutual confidence can

be reestablished from now on. Of course only facts will help to establish that mutual understanding, and it will be proven only by facts and deeds.

General Chou just referred to many incidents where the Government moved certain troops and occupied certain cities, etc., and most important of the incidents mentioned by General Chou is that the Government is preparing for launching an attack on Yen-an. To my mind, at the present moment, we need not pay much attention to the so-called preparation of attacking Yen-an. To me the most important thing is to make another agreement on the cessation of hostilities, after which deeds will enhance the mutual understanding and the facts and deeds will prove that preparations for attacking Yen-an are not true. Then, mutual understanding will be established. Because I hope for nothing more than the cessation of hostilities. I do not want to complicate this discussion of accusation or debate. Therefore I merely mention the foregoing points. Otherwise I would make the short story long instead of the long story short. I would just like to cite an example. The Government's military movement into Northern Kiangsu was the result of the Communist attack on Tai-hsien. The Government movement into Shantung is also the result of the Communist attack on Te-chou and Tai-an in that province. There are similar instances like that in other provinces as well.

Regarding the political issue, General Chou just mentioned that at this present meeting the agenda on points to be discussed is still limited to military problems. If we can get agreement on military problems I hope that it may have some influence on political problems that will lead to a better understanding on political grounds. I hope that if we limit this meeting to how to implement the cessation of hostilities, it will throw attention to this one problem and perhaps we will make some progress.

GENERAL MARSHALL: I take this view of the situation. In the first place, I regard it as a very important step that there is a meeting here this morning. My knowledge of things Chinese is too limited for me to penetrate the various phases of the present political differences. Actions that at the time seem unimportant to me are given great importance and exactly the contrary in other cases. What I have regarded at certain times as matters of very minor importance, and in which Dr. Stuart has agreed with me, we have found later were considered of great importance. And this has confounded both Dr. Stuart and me in our efforts to divest the situation of small issues in order to settle larger ones.

I have stated officially in a number of meetings that I did not agree with either side, and I restate that most emphatically now. Whatever the complications politically today in view of tomorrow's meet-

ing of the National Assembly; whatever determining effect the meeting of the National Assembly tomorrow is believed to have, I feel that an arrangement for the termination of hostilities, not a truce, cannot fail to have a beneficial effect in restoring some measure of confidence that will enable a political compromise to be reached, whatever that may be. The fact that the Government issued an order to cease fighting under certain conditions to its troops in a unilateral decision is incidental, I think, to the important question of whether or not this opportunity should be seized to terminate hostilities in a definite manner. Certainly, so far as the people of China are concerned, there is no loss, that I can foresee, involved in a termination of the fighting. I agree with General Chou that the situation is a curious and complicated one, in that with a very serious political difference at the moment we are, I assume, approaching a possible military agreement. When I think of all the complications that have robbed us of success during the last ten months, this particular complication, which involves a cessation of fighting, is the least serious. I have resented throughout my connection with these discussions the continuation of hostilities. I have deplored acts of retaliation which have been our greatest evil, I think, and which have not been confined to either side. But all of my views may be summed up in the statement that if we can find an immediate way to terminate hostilities, it cannot but help to improve the general situation, and the quicker it is done the far better it will be for all. That expresses my feelings at the moment.

General Chou?

GENERAL CHOU: I agree that any military accomplishment would enhance the political matters, if the political situation were not so acute as it is today with the National Assembly due to meet tomorrow. We have had many opportunities in the past but they were all let slip by. Just a while ago I told General Chen that if the cease-fire order had come earlier regardless of the conditions, or if it were unconditional, then we would still have some time to go ahead with the settlement of the political and military issues. If the National Assembly had been called after these other discussions were completed then it would certainly have been a great deal better.

The difficulty at this moment is the scheduled meeting of the National Assembly tomorrow. By that time, all the political discussion will have to be stopped. By the way, I stated a while ago that even the discussion could not be possibly held today on the political matters. So, it rather becomes inconceivable for us to solve the military issues. Of course, if the fighting were stopped a day earlier or later it means a great difference in the loss of the people, but it can still be stopped if we would continue to make efforts. But once the Na-



tional Assembly is opened, the party in power would say that this is a legal body, while the opposing parties would say it is not legal. Thus the country would be in a state of split. Once the Constitution is passed it would be subscribed to by one faction, but the other faction would oppose it. It would appear at this moment that, once this National Assembly is convened, we would then have to call another one to replace the present one. If we discard the present National Assembly, why should we bother to call it at all? So, most probably the result will be that while one party says that the National Assembly is effective, the other would say "No", and the dispute would be revived. In modern Chinese history there have been many wars for the sake of the Constitution and the Parliament. Dr. Sun Yat Sen has undertaken such a struggle for the sake of these.

Regarding the military matters, I only want to say this. That up till now, Communists have been strictly on the defense. We never dashed out from our area. It is the Government troops which penetrated into our areas.

As to the statement General Chen made regarding the measures for the cessation of fighting, I am not yet in a position to make concrete reply at this moment because I am not prepared. However, though today is the last day before the National Assembly, I will still make the best efforts and I would like to listen to General Chen's statement of a detailed nature on these points—the specific stipulations he has in mind. If he would care to tell me this, on the one hand I can render a report to Yen-an and on the other hand I can also make a study myself. Thus, following what General Marshall has just said, we should make exertions as much as we can. In spite of the fact that today will be the last day, we will still demonstrate that we are making the best efforts. General Chen has stated the Government's idea about the cessation of hostilities in general terms, but I would like some amplification of that.

GENERAL CHEN: The Government, in view of the common hope of the people for peace, issued the cease fire order recently. After that, I requested General Marshall to call the informal discussion today to study the concrete measures for the cessation of hostilities. It is needless for me to say that I sincerely hope that we can accomplish the cessation of hostilities so that it will have a beneficial effect on the political issues. I share General Marshall's views that by a cessation of hostilities, it will be beneficial to the people and it will not do any harm to the Government nor the Communist Party. I drafted a brief proposal and hope that it will be considered as a basis for discussion. The following is a unilateral proposal of the Government offered as a basis for further discussion:

"1. Commanders of forces in close contact or engaged in actual fighting will immediately direct their troops to cease firing and will seek to secure local truce by establishing liaison with the opposing commanders pending the arrival of a field team.

"2. If necessary, the readjustment of troops found to be in close contact or actually engaged in fighting will be directed by the field team on the ground by requiring opposing forces to withdraw for specific distances of one or both forces according to the circumstances. The local situation believed to have existed as of noon, November 11, 1946, will be the basis for determining the readjustment of troops.

"3. If there are disagreements among the members of the field teams, the Advance Section of the Executive Headquarters in Manchuria as well as the Executive Headquarters in Peiping, this disagreement should be settled by the following stipulations:

(These are practically the same as we have discussed in June. Stipulations regarding field teams, Advance Section in Changchun and Executive Headquarters in Peiping.)

"4. The reorganization and disposition of the armies will be further discussed and settled by the Committee of Three as early as possible."<sup>8</sup>

GENERAL MARSHALL: There is no reference made to the detailed instruction to the teams that General Chou fathered. I don't know that they should be specifically covered, in this discussion, but I wondered if they had been considered. It is more or less of a detail, and I don't want to complicate the discussion; I am just asking the question.

GENERAL CHEN: The detailed instructions to the field teams, of course should be considered after we have decided on the principle.

GENERAL CHOU: I have two comments to make.

The first: As I have just stated, a while ago, I came here entirely unprepared. If there is some reference for discussion I would like to point out that we had four draft papers in the negotiations during the June armistice which might serve today as a basis. If we compare those papers with the one presented by General Chen there are, of course, certain points in common, but I also notice a wide disparity with reference to the second paragraph. Of course the disparity can be interpreted in two ways. First, that the cease firing will be implemented right on the spot. On this point there is a common ground, but the second point is, "to what status will be restored?"

According to the June paper, we have made two steps. Within 10 days the status of June 7th was to have been restored through the country. In the next step within 20 days, the status of January 13th was to have been restored in China proper. Now in the paper presented by General Chen today, no mention is made of this. I am also aware, of course, that a discussion of those points will lead to debate.

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<sup>8</sup> For complete text of the Chinese Government proposals, see *infra*.

The second: I am not prepared to discuss General Chen's draft today. However, I will commit myself to transmit the draft to Yen-an and make a study myself. In the present informal meeting of this Committee I am assuming the attitude, as General Marshall and General Chen have expressed, of trying to exercise some influence on the political negotiations and am thus making a last effort.

GENERAL MARSHALL: General Chen, do you have any further comment?

GENERAL CHEN: Regarding the reorganization of troops and the redistribution of troops together with the restoration of communications and the January 10th cease fire order, I stated in my draft in the fourth item that those problems will be discussed later in the Committee of Three in an effort to reach a solution. In any event, after the reorganization plan, every unit has to be assigned a garrison area. That has to be discussed, and there is no question about that.

As regards the cessation of hostilities in Manchuria discussion in June, I do not recall whether garrison areas were stipulated in that discussion. I would like to suggest that the garrison areas, both in China proper and Manchuria, the reorganization of the armies be discussed in the future. Let us first settle the question of the cessation of hostilities.

GENERAL MARSHALL: The garrison areas in Manchuria were stipulated, I think. That is merely a comment.

Does General Chou have any comment on General Chen's statement?

GENERAL YU: I would like to add that I agree with General Chen Cheng that it is very urgent and important to get a cease fire agreement. That can only be done with the troops in their present position. As to the future location of the troops, I agree with General Chen Cheng that it should be left for discussion when the reorganization of the Army is taken up.

GENERAL CHOU: In the June armistice negotiations there was a stipulation regarding the restoration of the troop disposition status as of June 7th, but as to the stipulation concerning the location of the divisional commands, both parties made proposals, but no agreement was reached.

Regarding the statements just made by General Chen and General Yu that we should first have a discussion of a cessation of hostilities agreement and leave the disposition of troops for a later discussion. I have to recall the experience we had in June and which showed that it was not so simple. In the June negotiations, General Hsu<sup>9</sup> and General Yu both remember, we had actually reached an agreement on the termination of hostilities and even the appendix which I drafted

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<sup>9</sup> Gen. Hsu Yung-chang, Chinese Government representative on the Committee of Three.



had also been agreed to in the meeting. At that time I voluntarily made a considerable concession so that we readily reached agreement with respect to restoration of communications and the settlement of the peace agreement within the Executive Headquarters and the field teams. But on coming to the question of army reorganization the discussion broke down, though the cessation of hostilities could have been effected by that time. So, at this moment, we cannot help but pay a little thought to the possibility that the negotiations may again meet a stumbling block when we come to the question of reorganization of armies. Therefore, I would like to say that it is not a simple matter to think that the two questions can be entirely separate from each other.

There is also the question of the local self-government and the local administration. It is true that that falls under the political category, but in the June negotiations it was included and today we are still trying to reach a settlement in our political discussions on this point. However, at this moment I do not wish to start a debate over these deliberations. I merely want to state that I am ready to transmit General Chen's draft to Yen-an and to make a study myself.

GENERAL MARSHALL: If agreeable, we will adjourn to meet when it is agreed between you two gentlemen that you are ready for another discussion.

GENERAL YU: General Chen and I have just one comment to make before we adjourn. Whatever relation the redistribution of troops may have to make on cease fire, we want to point out today that we do not think it advisable to waste too much time on debate since debate would only delay the cease fire. We want to call General Chou's attention to that.

GENERAL MARSHALL: Is the adjournment agreeable now, General Chen?

GENERAL CHEN: Yes.

GENERAL MARSHALL: General Chou?

GENERAL CHOU: Yes.

GENERAL MARSHALL: I would like to thank both of you gentlemen very much and very sincerely for the careful restraint you showed in a discussion which I know means so much to both of you, and to the Government, and to the Communist Party. I trust that the continuation of this discussion, which I hope will be prompt, can be kept clear of bitterness which is bound to pervade the political debates. I recognize that General Chou is in the peculiar position of meeting politically one minute and militarily the next. I can only hope that when he comes in my door he sheds the political animosity and resumes the calmer demeanor of military men.

Marshall Mission Files, Lot 54-D270

*Chinese Government Proposal on November 11*<sup>10</sup>

TERMINATION OF HOSTILITIES

I. Commanders of forces in close contact or engaged in actual fighting will immediately direct their troops to cease fighting and establish liaison with the opposing commanders, pending the arrival of a field team.

II. Adjustment if found necessary to be made for troops in close contact or actually engaged in fighting will be directed by the field team on the ground by requiring the withdrawal for specified distances of one or both forces according to the circumstances. The local situation believed to have existed at noon of November 11, 1946, will be the basis for determining the readjustment of the troops involved.

III. Disagreements among the field teams, the Advance Section of Executive Headquarters in Changchun, and in Peiping will be settled according to the following stipulations:

1. *The Field Teams*

a. In case of disagreement regarding matters of urgency, the American representative of the field team may render his own report of the situation as he sees it direct to Executive Headquarters in Changchun or Peiping requesting instructions.

b. In case of disagreement, the American representative of the field team is authorized to make decision as to where and when the field team will move within his area to conduct investigations regarding military activities. Regarding the places of investigation, transportation difficulties should not be permitted to prejudice or delay the movement of the teams.

c. In case of disagreement on matters relating to cessation of hostilities and separation of forces the American representative of the field team is authorized to issue orders in the name of the Executive Headquarters to the field commanders on both sides to stop fighting at once and to effect the separation of the forces.

d. The area assigned to each field team will be stipulated by Executive Headquarters.

2. *Executive Headquarters in Changchun and Peiping*

a. In case of disagreement the senior American official of Executive Headquarters in Peiping or Changchun may render his own report to Executive Headquarters in Peiping or the Committee of Three based on the situation as he sees it requesting instructions.

b. In case of disagreement regarding the implementation of orders or instructions from the higher level, the senior American official of the Executive Headquarters in Peiping or Changchun is authorized to direct the execution of that order or instruction unless amended or rescinded by the higher level itself.

IV. The reorganization of the army and the disposition of the troops will be discussed and settled in the Committee of Three at once.

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<sup>10</sup> Presented to informal meeting of the Committee of Three; see *supra*.

Marshall Mission Files, Lot 54-D270: Telegram

*General Marshall to President Truman*<sup>11</sup>

[NANKING,] November 11, 1946.

1743. DEAR MR. PRESIDENT: Yesterday, Sunday morning, the Chief of Staff, General Chen Cheng sent me a request to call a meeting of the Committee of Three. I sent the request to General Chou who was due to call on me at 11. He came and remained 3 hours, including lunch. He was opposed, in an indeterminate way, to the Committee of Three meeting in view of complete failure to reach any agreement regarding National Assembly, which they wished to have postponed until representation, reorganization of State Council and Executive Yuan and draft of constitution could be completed. However, he finally agreed to a meeting, termed by him as informal, which the Government then agreed to for ten this Monday morning.

Meanwhile there was an informal meeting of the Political Consultative Council Steering Committee, the first since April 24, I think, which terminated with a Communist request for a postponement of the National Assembly until end of the month. This request is being transmitted to Generalissimo by a non-party member of influence, Mo Teh Hui of Manchuria.

The Committee of Three met at ten today at my house, the Chief of Staff Chen on one side and Chou on the other. Much talk recounting past bitter experiences, but at my request carried on with considerable restraint. Chou's point is that it appears futile to go about arrangements for termination of hostilities when unilateral and unswerving action of Government regarding illegal (according to Political Consultative Council resolutions) convocation of National Assembly means a definite split in China. However, I had the Government submit its proposal in detail and finally secured Chou's agreement to transmit it to Yen-an for prompt reply, he meanwhile studying the matter and proceeding on basis that whatever the political impasse at this time, he would go along with us in working for an agreement for formal termination of hostilities.

That is the situation at the moment. I will notify you promptly of last minute actions regarding National Assembly.

G. C. MARSHALL

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<sup>11</sup> Copy transmitted to the Secretary of State by the War Department on November 11.



Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to President Truman* <sup>12</sup>

[NANKING,] November 11, 1946.

1745. DEAR MR. PRESIDENT: Now at 10 p. m. Monday I have just been informed by message from Generalissimo that at urgent request of non-party delegation he has agreed to delay convocation of National Assembly 3 days. They promised that if such delay was granted the Third Party organizations would submit names of their delegates and possibly the Communists but I think the last unlikely.

G. C. MARSHALL

Marshall Mission Files, Lot 54-D270

*Colonel J. Hart Caughey to General Marshall*

[NANKING,] 12 November [19]46.

Dr. Stuart just telephoned to pass on the following information:

It is fairly definite that, because of the three day postponement, the Youth Party will come into the National Assembly. The group of the Democratic League headed by Dr. Carsun Chang and the group headed by Mr. Huang Yen Pei probably will come in, the idea being that they will sign as individuals rather than representing the Democratic League.

The Communists still maintain that the convocation of the National Assembly is unconstitutional notwithstanding the fact that the Generalissimo has offered three days' grace.

The most important development is the fact that the Steering Committee of the PCC is to meet informally this afternoon with the Generalissimo's approval. All parties are to attend and are to discuss the Constitution. Doctor Stuart stressed the fact that the Generalissimo has agreed to the discussion of the Constitution by the Steering Committee of the PCC, thus indicating willingness to approach the problem in accordance with the PCC resolutions.

Dr. Stuart's own guess is that the Communists will not make a definite break nor will they actively participate, the idea being that their theme is to keep the situation in a state of suspense.

Dr. Stuart added that if General Chou goes to Yen-an, Tung Pi Wu <sup>13</sup> will be left behind to represent the Communist Party, thus indicating Communist "availability" for discussions and at the same time preventing military aggression on the part of the Government.<sup>14</sup>

J. H[ART] C[AUGHEY]

<sup>12</sup> Copy transmitted to the Acting Secretary of State by the War Department on November 11.

<sup>13</sup> Member of the Chinese Communist Party delegation.

<sup>14</sup> Notation at bottom of memorandum: "Gen Chou requested, and was granted, an appointment at 6:00 p. m. today".

893.00/11-1246 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, November 12, 1946—4 p. m.

[Received November 12—6 a. m.]

1859. On the evening of November 10, I saw the Generalissimo and at his request conveyed thereafter to the leaders of the minority groups a message from him to the effect that he was prepared to consider a postponement of the assembly if within the next 24 hours they would hand in the names of their delegates. The next afternoon a group of minority party leaders including Hu Lin <sup>15</sup> had an interview with the Generalissimo in which they assured him the names would probably be supplied if he would postpone the assembly a few days. He finally decided to announce a postponement of 3 days and the invitations issued yesterday afternoon were recalled last night.

General Marshall's Three Man Committee met informally for 2 hours yesterday morning, the only result being that Chou En-lai agreed to seek instructions from Yen-an and himself to give careful consideration to an issue in which the military could not be divorced from the political aspects.

Underlying the interchanges of the past 10 days has been the maneuver on the part of the Government to obtain the participation of the Democratic League and the Youth parties in the National Assembly as a possible first step toward winning the Communists also, and contrary-wise the strenuous efforts on the part of the Communists led by Chou En-lai to keep these parties within their orbit.

The expectation is that the Youth Party will hand in at least a partial list of their delegates today and will attend the National Assembly which convenes but that the Democratic League will be split on the issue.

STUART

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and General Chou En-lai at No. 5 Ning Hai Road, Nanking, November 12, 1946, 6 p. m.*

Also present: Colonel Caughey  
Colonel Underwood  
Mister Chang

GENERAL MARSHALL: Doctor Stuart just told me of the meeting he had with you this afternoon and what was said, so I know that.

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<sup>15</sup> Editor, *Ta Kung Pao*.

GENERAL CHOU: I just came from a meeting of the Steering Committee at Doctor Sun Fo's residence.

GENERAL MARSHALL: Was that an official meeting?

GENERAL CHOU: It was an informal meeting.

GENERAL MARSHALL: Were the actual members of the Steering Committee present?

GENERAL CHOU: Yes.

GENERAL MARSHALL: Anybody else?

GENERAL CHOU: There were some others from the non-party group.

GENERAL MARSHALL: I see.

GENERAL CHOU: At this meeting, Doctor Wang Shih-chieh<sup>16</sup> made a proposal of the following two points:

1. He hoped that the others would recognize the National Assembly which is going to meet on the 15th, and that they would participate in this meeting.

2. He hoped that after the National Assembly is started the other parties would not regard it as a split, but would go on with the negotiations.

Regarding the first point, prior and after the meeting, Doctor Wang made the above statement and I told him frankly that it was absolutely impossible because the National Assembly was convened by the Kuomintang unilaterally and the postponement was also decided by the Kuomintang alone. Therefore it would not meet with our approval, nor would it receive our attendance. There is no necessity for me to seek instructions from Yenan.

Secondly, I stated that there are two different matters. Regarding the split, it is not initiated by the Communist side, but because the Government has announced the opening of the National Assembly and thus proclaimed a political split. Today's newspapers also reported that the postponement for three days is merely for the purpose of affording an opportunity for the other parties to submit their delegates. This split is initiated by the Government and not by us. The whole matter rests with the Government and not with us. We would never initiate a split. We have shown forbearance many times. For instance, the attack against and the capture of Kalgan. We had stated that that would constitute a split, but the Government requested continuation of discussion so we returned to Nanking for negotiation for over 20 days. Another instance is Antung. The capture of Antung caused bitter resentment on our part; still we continued the discussion. So it is obvious that we never initiated these matters. On the contrary, we have shown our patience and forbearance on many occasions because we are aware that these are matters of minor importance and the most important thing is the National Assembly.

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<sup>16</sup> Chinese Minister for Foreign Affairs.



That depends on the attitude of the Government.

As to the possibility that the Communist delegation might go back to Yen-an for consultation, that is quite logical. When the Government convenes the National Assembly, in which we would not participate, this event would lead to a split, in which case we must consider how to cope with the new situation which would open a new chapter. Therefore, we must contemplate what further action to take.

These two are entirely different matters and our return cannot be construed as an indication that we want the split. Actually, whether there will be a split or not depends entirely upon the Government.

The Third Party made the following proposal. Since there are three days left before the National Assembly, they suggested that we all should make further efforts to hold meetings to discuss any possible actions. Not only the Steering Committee of the PCC should hold further discussions, but also the Draft Constitution Reviewing Committee and the Committee of Three should hold further meetings. Their attitude is that so long as there is still time we must exert further efforts, and when it becomes clear that the matter is absolutely hopeless we can be comforted by the fact that we have at least done our best.

However, there are only two days left and there are still so many questions, military and political, that have to be solved. It is impossible to solve them all within such a short time. To set November 15th as the deadline would make the utmost restrictions on all of us. It is tantamount to saying that the Communists should make promises within the next two days and if there is anything that would not be promised within this time, then everything is finished. So the result would be that the Communists have to hold discussion actually under threat. It is my opinion that to solve the issues we have to discuss them in a free atmosphere so that we can find a just and fair solution. However, this cannot be accomplished within two days. Of course I would not refuse to participate in any meetings, but two days would not produce results. In this manner the situation is made so tense and such a heavy burden is placed upon our nerves that we have no time to contemplate or discuss the matters. I am afraid that any formula worked out will be highly unsatisfactory. It would only serve to make the matter worse instead of improving it.

Another member of the Third Party made a second suggestion and he made it in view of the Government's contemplation to open the National Assembly on the 15th. After opening the meeting, instead of holding the formal meetings, he suggested that preliminary meetings be held so that at the same time the other committees might continue their discussion. He thought it possible to just open the meeting

and to have only the preparatory meetings instead of the formal meetings. This is also not possible because once the National Assembly is opened the Government will proclaim it to be a legal assembly and will propagandize it throughout the world. Some of the other parties, like some non-partisans or the Youth Party, have promised to participate in the National Assembly, and the Government will seize this fact to prove that the National Assembly is a legal one.

On the other hand, if the different committee meetings will be held to discuss the various issues, then there will be so many issues involved that it will be very difficult to have them settled within such a short time. Apart from that, we have also to consider the question of the implementation of the agreements that are going to be reached. We had many agreements in January but now the dispute is over the implementation. The implementation of each agreement is thus closely connected with the National Assembly. I don't believe that such a procedure would solve the matter.

As far as I know and my knowledge stems from what I learned from the contact by the various sides with the Government, the Government policy is that it more or less does not believe that it can solve any questions with the Communist Party, or that it can discuss with sincerity with the Communist Party. Therefore, it (the Government) is merely making a mock gesture by inviting the Communist Party to discuss matters, but actually it only wants a part of the non-Kuomintang members to participate in the National Assembly to enable them to demonstrate that the National Assembly is a democratic one, and that the Government is determined to restore power to the people, and that the constitution is a democratic constitution, and that the unilateral issuance of the cease fire order before the convention of the National Assembly was a gesture for peace. Actually, it has no intention to solve matters with the Communist Party. At the time when Kalgan was captured and the Government issued the order for convening the National Assembly, it placed the Communist Party in a very difficult position. These moves are intended to make a demonstration. However, we showed our patience and when the Government wanted to discuss with us we returned to Nanking. On coming here we waited for 18 days without having any discussion with the Government directly. Now, our attitude was a most liberal one. Now, to us it is immaterial whether the fighting will first be stopped and then discussion will be held or whether the discussion will precede the cease fire.

GENERAL MARSHALL: Will you repeat that last sentence.

GENERAL CHOU: Whether the discussion should precede the cease firing, or the cease firing should precede the discussion—either procedure will be agreeable to us.

On the 8th of November the Government again made a condition to inviting us for discussion in stating that I must reply to you on the eight points. The Government took unilateral action with regard to the date of the National Assembly. All these are intended to exert pressure upon the Communist Party. The latest move of postponing the National Assembly for three days merely serves the same purpose—namely, pressing us. The Government has no intention whatsoever to settle the issues. They have invited us to discuss merely for propaganda purposes, as it can be seen that they did not discuss with us directly with the exception of the last 2 days. So the Government's tactic is to get the stage set and to put the Communist Party into a corner so that they can exert the utmost pressure upon the Communists.

Now I want to speak on one concrete matter. That is the military discussion. I will not repeat the discussion we had yesterday in the Committee of Three, but there are two matters that lay squarely before me. The first is regarding the discussion we had yesterday. I have to wait for Yen-an's instruction or else I have to go back to Yen-an to receive new instructions. Another question is, I want to ask you whether there is any possibility to adopt the procedure we followed in June, which means that we would not only discuss the cessation of hostilities but also the other questions concerning demobilization arrangements and the disposition of troops during army reorganization. I believe I have ample reasons to suggest this procedure because in June the Government contended that if we did not settle these questions in an overall manner, there would be no settlement because the Communist forces were continuously constituting a menace to them since the Government had only a small number of forces in and around the Communist areas. But now the situation is reversed. The Government has occupied so many of the Communist places, not only surrounding them but actually penetrating into the areas and capturing 100 cities. They further are preparing an assault against Yen-an. I referred to the planes which recently came over Yen-an and yesterday further planes appeared over Yen-an. All these obviously constitute a military threat and therefore I put the question. It seems that in adopting the June procedure now is entirely justified by the present situation. Therefore I ask whether we can discuss all the issues; otherwise the threat will still be in existence—this is based upon the experience we had in June.

Now in discussing the cease firing and other matters, the Government referred to certain provisions that have been agreed upon in the June negotiation. Now I wish to ask that since it is my view that if we will take reference to some of these provisions, then we should make reference to all those provisions and not merely select those which are favorable to the Government and discard the others which



are unfavorable to them. On this point I should like to hear your views because it would help me a great deal in contemplating military matters and would help me to eventually work out military proposals.

GENERAL MARSHALL: I do not think there is any question but what the Government desires to discuss all those matters to which you referred. However, I think you probably mean that all those matters should be discussed and settled before there is a termination of hostilities, as the Generalissimo has stipulated in June. Is that correct?

GENERAL CHOU: However, there is one complication involved; that is the relation of the cease firing to the National Assembly. If there were no question of the National Assembly meeting in a few days, we would fully subscribe to a cease firing procedure before everything else. But now the question is, suppose we have a cease firing agreement and the National Assembly is opened and disputes arise which lead to further fighting—that would make the situation again complicated. By that time if the fighting starts again, the cease firing agreement will be broken down. But the National Assembly will be in meeting and the Government will use the National Assembly to exert pressure upon the Communists.

GENERAL MARSHALL: As I understand you, you have not answered my question which was—are you proposing that all these matters of distribution of troops, demobilization, etc., be settled before a cease firing agreement is promulgated? That was the case in June, the Generalissimo insisting upon a complete settlement.

GENERAL CHOU: The question is still related to the question of whether or not the National Assembly will meet. If the National Assembly is called off, then I fully subscribe to the procedure of having first the cease fire agreement and then the discussion of all the other matters. But now if the National Assembly is not to be called off, it indicates the Government is heading for a political split. In that event I will require a guarantee on the military matters and we will have to settle all the military issues in an overall settlement before we can announce the cease fire agreement, because under such circumstances there is no political guarantee, and I cannot perceive the situation that while on the one hand we have the political split but on the other we have the military truce, unless we have settlement of all the military questions.

GENERAL MARSHALL: To the question you asked me in regard to the Government's attitude in taking part of the June agreement and not all of it, I suppose you refer to General Chen Cheng's recent cease firing document yesterday in which he took the actual wording of a June paper in part and then introduce[d] new terms with regards to the dates for determining the position of troops. The wording of the Chief of Staff in general was unimportant in the sense that it was about

the only manner in which the issue could be stated regarding troops in close contact. Some other expressions might be substituted, but that was all rather incidental to the main factors which related in June to January 13th and June 7 and which now, according to the Government statement, would relate to the date of the new agreement. I cannot give any other answer to that than what I have endeavored to indicate; that the portions quoted from the June agreements were in a sense unimportant and incidental statements. The real issue is the date—whether it is November, or June 7, or January 13.

To go back to your general statement, in the first place, at least a portion of that was covered in your discussion with Dr. Stuart to which Dr. Stuart made certain replies with which, I think, I am in general accord. Therefore, there is no purpose in repeating them. However, I wish to say this: I think that, to an important extent, we are being defeated by suspicions and misapprehensions. I know this in part to be true because there have been incidents in which I was the principal actor, at least the initiator, and I found the result to be entirely misjudged, the Government being accused of some evil purpose. I believe I am aware of the occurrences which have stirred your feelings. I know I am aware of the statements that have been made by various Government leaders which have not been pacifying or reassuring. Nevertheless, I am convinced that you, in part, are laboring under misapprehensions to the great disadvantage of the Communist Party. There has been undoubtedly a very serious battle within the Government ranks, and what I believe you do not perceive nor understand is the fatal effect on the liberals in the Government of the abrupt, almost contemptuous, refusal or suspicion by the Communist Party of proposals which have been wrung from Government military and political leaders with the greatest difficulty. You stated the belief you entertained on the part of the Government that the Communists would not go through with agreements, and, therefore, you felt that their proposals were mere gestures to aid the Government before the world. I have a number of times told you the same thing as to the belief on the part of many members of the Government, and I have had to overcome time after time the obstruction caused by this belief to the conciliatory action or compromises which I felt were required. The situation has now gotten to a point where there is almost nothing that can be said on the Government side in which the Communist Party will place any faith. Along with this is the insistence that each detail of procedure (I am not referring to fundamental principles) of the PCC be followed in a meticulous manner. I am just as much interested in, and I give just as much importance to, the procedure for the drafting of the Constitution and for the treatment of that Constitution before the National Assem-

bly as you do. But the fight is not being made on that, it is being spread over a dozen details, which I think is a great mistake. In view of this attitude, I am almost at a loss to know what can be done to save the situation.

GENERAL CHOU: I wish merely to comment on one point. It is your statement that we are insisting merely on the procedure and not on the important stipulations. Actually, it is true that we cited four procedures, but these procedures are derived from the important stipulations of the PCC. Take for instance, the National Assembly. It is not a matter of procedure. As I have told Dr. Stuart, some National Assembly delegates were brought into being 10 years ago. In no other country in the world would they recognize delegates of such a nature, but why did the Communists make a compromise on this point? It was only because at the PCC we reached five resolutions and thus secured a compromise on all the issues. Therefore, we considered the question of the delegates as an unimportant matter. But now, all the other resolutions are not being carried out, but those delegates which were brought into being 10 years ago are being called together by the Government by unilateral order without consulting the other party, despite the fact that the Generalissimo stated on April 24th that he would consult the other parties regarding the date for convocation of the National Assembly. Now he has broken that promise. Under such circumstances, how can we endorse his order and submit our list? This is not a question of the procedure, but a question of fundamental principles. Now they are going to meet, and we are only in a minority position. The Government has not yet been reorganized, the Draft Constitution is not yet finished, and there is no guarantee for cease firing. What means do we have to cope with this situation? Should we simply recognize the National Assembly which is due to meet three days later? In all constitutional history throughout the world there is no parallel with the present situation in China. It is only because the Chinese affairs are too complicated. I cannot give you an outline within a few minutes to make you fully understand this. I wish to repeat that it is not a matter of procedure.

GENERAL MARSHALL: I understood that it was the contention of the Communist Party and the Third Parties that a constitutional draft should be agreed upon by the Steering Committee and that that draft should be formally confirmed by the National Assembly—not amended, only confirmed—as a formal action to make it the law of the land. Is that correct?

GENERAL CHOU: Regarding the Draft Constitution, your understanding is correct.



GENERAL MARSHALL: Then I fail to see the tremendous importance (I am using the word tremendous carefully) of the arguments about my complications and as to the delegates. The Generalissimo is reported to have made a verbal statement on April 24th that becomes a great issue today apparently. From an American point of view, the great issue is the draft of the Constitution and the basis of its acceptance—for the new law of the land. Even the issue of the State Council becomes, it seems to me, of minor importance because that is only a temporary arrangement. The Constitution is something of vast permanent importance to China.

I realize my lack of understanding of the full import of the political complications of the situation and I make this statement to indicate why it seemed to me, and to Dr. Stuart, and to other Americans I have talked to, a great mistake not to concentrate on the draft of the Constitution and how it was to be handled, instead of having the entire affair collapse on procedural details to the tragedy of the people of China. The other issues seem to us of minor importance.

I had been pressing the Generalissimo all summer long to reconvene the Constitutional Draft Committee and to have whatever agreement is reached confirmed by the Steering Committee of the PCC. I finally got him to agree that if the Five Man Group under Dr. Stuart's chairmanship met and seemed to be reaching an agreement, he would reconvene the Draft Committee. I did this because I thought it was a matter of paramount importance, however much it was desired to have appointments in the Ministries from the various minority parties. These Ministries will change all the time by relief or by death, but a Constitution is a foundation. Therefore, I have been baffled by the number of issues which have dominated the present discussion and blocked progress, issues which seem to an American to be details, and yet which seem to mean chaos in China. I repeat again that I realize I do not understand the many ramifications of the political situation, but my hope had been that in this great emergency, the fighting could be resolved around a few great fundamentals; notably the constitution and the cessation of hostilities.

GENERAL CHOU: Regarding the Draft Constitution, this is the first time I have heard from you and Dr. Stuart that it is of such vast importance. Previously you had inquired on this matter, but you had never stressed such importance.

GENERAL MARSHALL: I asked General Chou in August and September if the draft of the Constitution was not the issue which they regarded as of first importance.

GENERAL CHOU: As I remember, it was in connection with the discussion of the agricultural reform that you brought up the question of the Constitution, but later on the discussion was confined to the informal committee and the reorganization of the State Council.

GENERAL MARSHALL: The minute the Generalissimo brought up the question of delegates I asked you if you did not regard the draft of the Constitution as of first importance. I asked that because I was insisting on the Generalissimo carrying out the provisions of the PCC in regard to that. I was insisting that that would have to be done in connection with the delegates. The State Council was merely one issue on which Dr. Stuart and I thought we might be able to get agreement. An agreement on anything at that time would have been like an oasis in the desert. Then the Generalissimo introduced this question of delegates and I was immediately involved in that problem.

Stating it in its simplest form, on one side we have the belief of certain Government leaders that the Communists will not go through with any agreement and we have on the other side the complete suspicion of the good faith of the Government in every proposal. The suspicion that whatever is proposed if agreed to will be maneuvered in a fashion to suppress the Communist Party or render it powerless. I think that is a pretty accurate estimate of the situation and the problem is how to resolve that situation. There are many liberals in the Government and I think a more far-sighted policy on the part of the Communists might have had the effect of practically putting those liberals in control, just as I have assumed that there are liberals in the Communist Party who are defeated by radicals in the Government in their effort to reach a compromise within the Communist Party.

You have been in a battle of negotiations today and I don't want to exhaust you with my lengthy discussions. I merely wanted you to know what was going on in my head because my object is solely the termination of hostilities and a two-party Government. I say two party; there could be more parties, but you must have an opposition party in the Government. I was asked informally a long time ago to come to China as an advisor for the Government. I was approached on the same matter last summer. My reply was that I could give the necessary advice briefly and immediately. The reformation and modernization of the Government of China depended on the creation of an opposition party. There could not be a reform of the Government, of the Kuomintang party, so long as it did not have a genuine opposition party to compete with, to criticize, to force reforms. That is the only procedure that makes possible a democratic form of Government as we understand it in our country. We have just had an example of that last Tuesday in America. We have had many like it in the past. It all depends on an opposition party. You can't reform the Kuomintang Party from the top. That can't be done. There must be opposition. Accordingly, I thought the Communist Party, particularly with its intense interest in the peasantry of China—which comprises the largest class—could render a very important service to the people of

China in the role of an organized, legal, opposition party. Somehow or other we have to get rid of the army menace and I had hoped, and we had made plans, to have parallel action on the two problems.

I don't want to bore you with any more of this.

GENERAL CHOU: In principle I have the same understanding on the two points to which you have referred. Otherwise we would not have cooperated for a fairly long period in a satisfactory manner so that we have pushed the PCC to success. That was entirely due to the fact that we had a common ground. To speak briefly there are five matters involved which are most important: Constitution, coalition government, the joint platforms (program for peaceful reconstruction, etc.), integrated army, and a peaceful environment.

I think I can fully understand your mental state when you were discussing those questions. The question now facing us is that in order to have such a consideration we have to work in the way that we adopted in the PCC. After the PCC, the Draft Reviewing Committee has not been in session for three months and has not completed its mission. Later on the Generalissimo did not convene that Committee any more in Nanking. On my return here on October 21st I again brought up the point that four kinds of conferences should be held, one of which is the Draft Reviewing Committee. Dr. Stuart is aware of this fact. Up till now it still has not been convened. There are only two days left. Thus it shows that we have been struggling for this all the time and we do look upon it as a matter of utmost importance, but the Government still stated their conditions on the question of the National Assembly and name lists. Even today they still insist on these two and I merely want to cite that fact.

Meeting adjourned.

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893.00/11-1246: Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, November 12, 1946—11 p. m.

[Received November 12—11:46 p. m.]

1860. *Chung Yang Jih Pao* morning November 12 carried following story: (Embassy's telegram 1859, November 12, 4 p. m.)

"Following the three-day postponement of the opening of the National Assembly, the Chinese Communist Party spokesman made following announcement to foreign and Chinese correspondents:

"The Chinese Communist Party is paying no attention to the three-day postponement of the opening of the National Assembly. The date for the convening of the National Assembly was decided unilaterally by the Kuomintang. The present postponement is also a unilateral postponement. It makes no difference whether it is post-



poned for three days or for thirty days. It is contrary to the principle of settlement of problems by political negotiations to which the Chinese Communist Party is still opposed. If the Kuomintang sincerely retains a trace of desire to settle by political negotiations, then this is not a postponement but a halting of a National Assembly with one party participation.[']

A correspondent asked, 'If the Youth Party and the Democratic League submit their National Assembly delegate lists, will the Communist Party adopt a similar course?['] The spokesman replied, 'Certainly not'. Another correspondent asked, 'Within these three days is the Chinese Communist Party willing to join in discussions?'

The spokesman answered, 'It is possible to join discussions but only if the discussions have as their basis the principle of settlement by political negotiations. Otherwise it is still impossible to solve the problems.'"

In my opinion it is unlikely that the Communists will join the National Assembly, but I do believe they will avoid an obvious break. The PCC Steering Committee is meeting informally afternoon of November 12 with all parties represented to discuss constitution.

STUART

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S93.00/11-1346

*The Ambassador in China (Stuart) to the Secretary of State*

No. 253

NANKING, November 13, 1946.

[Received December 3.]

Subject: Political Negotiations.

SIR: I have the honor to report that since my last despatch (no. 232 dated October 31, 1946<sup>17</sup>) the so-called Third Group (composed of leaders of the Democratic League, Youth Party and those of no party) has been actively trying to mediate between the Government and the Communist Party. They have kept in constant touch with General Marshall or me and we have done what we could to encourage them. Finally, some of them called on me on November 6 confessing that all their efforts through the past three weeks had been futile and asking that General Marshall and I again resume negotiations. I answered that since the Communist Party had made no reply to President Chiang's formal communication of October 16 transmitted to General Chou En-lai through us, they had virtually ignored us and that we could only mediate when both sides indicated their desire to have us do so. They left therefore determined to persuade the Communist Party to send some sort of reply.

The following evening they brought General Chou and Mr. Wang Ping-nan to the Embassy residence. General Chou was voluble in

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<sup>17</sup> *Ante*, p. 457.

excuses for not having replied and in his denial of any anti-American sentiment. He discussed the problem of the letter: he could not possibly accept President Chiang's "eight points", nor did he care to repudiate these and thus break off negotiations, etc. I suggested that he compose a brief but courteous letter pointing out that at the urging of both Government and Third Group representatives he had returned to the capital to discuss any relevant topics. As an instance of the importance to the Chinese mind of epistolary style, as well of the intensity of emotion which complicates this issue, they worked all the next day drafting this simple letter and finished it at six o'clock in the evening. Copies in English were delivered to General Marshall and the original text reached President Chiang by eleven o'clock that night.

Meanwhile President Chiang had told me that in view of the rapidly approaching date for the National Assembly, he had determined to take our advice and issue a cease-fire order without making any stipulations. I suggested that he accompany this with an irenic announcement calculated to win the Third Group and, if possible, the Communist Party to participate in the Assembly. On November 5 he gave me two English copies of this <sup>18</sup> and asked that General Marshall and I revise it as we thought best. It was a discursive mixture of self-defense and criticisms of the Communist Party which would have been highly provocative, and was withal entirely too lengthy. After attempting to delete much of it, we agreed that the only possible treatment would be to rewrite it entirely, and General Marshall did this. When we submitted our draft to President Chiang he explained that in his original draft he had been trying to convince his civil and more especially his military associates to approve his cease-fire order and that he was standing almost alone in this decision. He accepted our draft with a few verbal alterations except for our paragraph regarding the proposed constitution.

On November 10 he asked me to suggest to the Third Group leaders that they send in their lists of delegates for the Assembly on condition that its opening be postponed. They protested that the time was too short, etc., but that evening and the following day were spent in vigorous efforts by all concerned to find a solution. The net result thus far of these numerous conferences is that the Assembly has been postponed for three days (November 15), the Youth Party and an element of the Democratic League are sending in the names of their delegates with the intention of participating, and the Communist Party is more obdurate than ever. The Assembly will be in session for two weeks in a "preparatory status".

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<sup>18</sup> See undated draft, p. 476.

General Chou En-lai came with Mr. Wang on the afternoon of November 11 to pay what seemed to be in the nature of a parting call before leaving for Yenan and did the same that evening with General Marshall. It was a distressing interview for he saw no gleam of hope in recent developments. His distrust of President Chiang and the Government leaders generally was so deep, his insistence on meticulous details of procedure so uncompromising, that all my appeals to concentrate on the two really fundamental issues—the cessation of hostilities and the drafting of a truly representative constitution—were unavailing. He repeatedly described President Chiang as having “slipped a noose over the neck of the Communist Party” or as “pointing a dagger at our heart”, thus revealing a fear of consequences if he agreed to any proposal leading to a partial solution. It must be a complete acceptance by the Government of the original PCC resolutions as the basis for procedure or nothing.

On only one point he expressed himself as not being clear: as to whether American policy had changed or not. I replied that as to nothing could he be more clear, for American policy adhered firmly to the President's statement of December 15, 1945.<sup>19</sup> He quoted two reports from the United States of statements by American officials to the effect that we needed to support the Chinese Government because of the Russian menace, and wondered if the recent Republican victories did not imply shifts in foreign policy. After reaffirming the desires of our Government for a united, peaceful China as variously indicated, I commented on my chief personal concern which was for democratic reforms leading to a more enlightened liberalism and to a reduction of the prevalent corruption and inefficiency. I pointed out the absolute necessity of a strong and determined opposition in achieving this and the patriotic service the Communist Party could thus render. I told him that I had argued all this with President Chiang, who had heartily concurred with me. I reminded him of the great benefits that would accrue to the nation as a whole if the American plans for aiding China could be made effective, and of the complete protection to the Communist Party and the areas under its control if General Marshall and his subordinates were in charge of military reorganization. Later on when I was called away for a few moments he asked my Chinese helper if there were not some way to cancel the whole five-year program of American military aid. The latter replied that this would doubtless be very simple if the Government would unite with the Communist Party in requesting it. This question is quite revealing as seeming to strengthen the impression that General Chou and his comrades would not hesitate to sacrifice the welfare of the nation for their internal struggle with the

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<sup>19</sup> *United States Relations With China*, p. 607.



hated Kuomintang, as is indeed apparent in all their recent anti-American propaganda. It would seem that at long last the negotiations are about to be broken off by the Communist Party attitude. General Chou has given assurance that one of his colleagues will remain here to represent the Party, but his own departure is significant. When I asked him whether he was leaving because he felt the outlook was hopeless or in order to report and receive new instructions he hesitated a moment and then replied that perhaps it was something of both.

These selections from many recent discussions have perhaps resulted in a tediously lengthy report, but it is in an attempt to give something of the murky atmosphere now settling down upon the effort to bring the Communist Party into a coalition program. Whatever the reasons, that would seem to be—at least for the present—impracticable. But I should like to close on a more cheering and constructive note that there is no occasion for pessimism and that I believe there remain in our American relations with China many hopeful potentialities.

Respectfully yours,

J. LEIGHTON STUART

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Professor Chou Tsien-chung at No. 5 Ning Hai Road, Nanking, November 14, 1946, 10 a. m.*

Also present: Col. Underwood

PROF. CHOU: I have come from Shanghai today for a meeting of the Standing Committee of the Young China Party. Mr. Li Huang, Chinese representative to the United Nations Conference at San Francisco, is also here for the meeting. We want your advice concerning what we should do to break the present deadlock regarding the National Assembly. Specifically, what will happen if the Communist Party does not participate?

GENERAL MARSHALL: It is very difficult for me to estimate Chinese reactions. There has been so much maneuvering by all parties that it is very difficult to determine the real objectives of each group. I very much fear that China is moving toward a state of full civil war. The chief difficulty has been a lack of trust on all sides. The Communist Party does not trust the Government in anything that it says or does; similarly, the Government has no trust in the sincerity of the Communist Party. At the moment, the Communist distrust is the greater. The Communists are now more bitter than ever before. Formerly, the reverse obtained. An additional difficulty stems from the fact that all parties are haggling over details of procedure rather

than concentrating on fundamental issues. The important issue, to me, is the Constitution, and not the details concerning convocation of the National Assembly, as well as all the names of delegates, etc.

PROF. CHOU: The Constitution is not the important issue to the Communist Party.

GENERAL MARSHALL: It is very difficult for me to determine the real objectives. My major interest at the moment and that of the United States Government lies in the true intention of the National Government concerning the Constitution. Will that Constitution be a genuine democratic document, or a hollow instrument of dictatorship or one-party control.

PROF. CHOU: The revision of the Draft Constitution was practically completed by the PCC. However, the unfinished part is the most important part; namely, making the Executive Yuan responsible to the Legislative Yuan. Our party and the Communist Party insist upon this provision. The Government has not yet agreed with us.

GENERAL MARSHALL: What are the really important parts of the present Communist Party demands?

PROF. CHOU: When Chairman Mao Tze-tung came to Chungking,<sup>20</sup> he had many talks with the Generalissimo. I discovered that in those talks, the Communist Party demanded 7 governors of provinces, 5 mayors of major cities, and the retention of certain Communist divisions. In other words, the Communist Party would make certain concessions to the Government (such as recognition of the National Assembly delegates who were elected 10 years ago) in return for positive material gains. We feel that the Communists are realists and doctrinaire at the same time. They are very hard to deal with because of their lack of principles and their constantly changing attitudes.

GENERAL MARSHALL: I regret that I cannot give you a good estimate of the present situation. Neither Dr. Stuart nor I know what took place yesterday; neither of us saw the Generalissimo nor General Chou En-lai yesterday.

PROF. CHOU: There were no positive results from any of the meetings which were held yesterday. The minority parties held a meeting which consisted solely of a free exchange of opinion. The Legislative Yuan also held a meeting to discuss the Generalissimo's suggestion for examining the revised draft of the Constitution. The Legislative Yuan refused to follow the Generalissimo's suggestion. Instead, the Legislative Yuan indorsed the 5 May Constitution which was drafted by the Kuomintang only. I believe that the Legislative Yuan has taken this position because of the Generalissimo's postponement of the National Assembly. It is simply a case of Chinese politics.

<sup>20</sup> For correspondence on this phase, see *Foreign Relations*, 1944, vol. VI, pp. 247 ff.

My party is fighting against one-party rule. We oppose both Kuomintang dictatorship and proletariat dictatorship of the Communist Party. We do not think that indefinite postponement of the National Assembly will stop fighting. The National Assembly has been postponed many times before, while fighting has gone on for many years. We do not think that the Communist Party attaches much importance to the Constitution. We believe that the Communist Party will accept any Constitution, provided sufficient material gain accrues to them as a result of their acceptance.

GENERAL MARSHALL: The Communist Party has changed its attitude decidedly with respect to the civil war. They now state that if the National Assembly is held, they will continue to negotiate on a military level, but will not agree to a cessation of hostilities until the whole military program is settled. Their present position is the same as the position which the Government took in June. However, now the Government desires a cessation of hostilities, with the troops holding their present positions and with the resolution of the military program following the cessation of hostilities. Of course, the Communist Party is thinking in terms of the Government capture of Antung, Kalgan, and Chengte. Moreover, the Communist Party says that if the National Assembly is postponed and then convened according to PCC agreements and procedure, it will then agree to immediate cessation of hostilities.

PROF. CHOU: What concessions can the Government make to the Communist Party?

GENERAL MARSHALL: I had always thought that the best grounds for Government concessions consisted of moulding the Constitution in strict accordance with the PCC agreements.

PROF. CHOU: Mr. Tso Shun-son <sup>21</sup> saw the Generalissimo yesterday. The Generalissimo told him that he would guarantee that the Constitution would be formally adopted by the National Assembly in spite of the opposition of the Legislative Yuan.

GENERAL MARSHALL: What would happen if the National Assembly would adopt a Constitution based upon the PCC agreements? If this were done, Americans would expect the rebellious party to join the Government. However, I do not know what the Chinese reaction to this situation would be.

The important thing, however, is the future of China. The United States will not support a one-party government in China. China sorely needs economic assistance, and there is no government in the world other than the United States which can give this economic assistance to China. Nevertheless, the United States will not give economic assistance to nor in any way support a fictitious two-party

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<sup>21</sup> Tso Shun-sheng, member of the Chinese People's Political Council.



government. It must be a real, a genuine two-party government. The opposition party must not be completely dominated by the party in control.

PROF. CHOU: The Generalissimo has wanted a three-party government consisting of the Kuomintang, the Young China Party, and the Democratic League. Would the United States support a coalition government minus the Communist Party, if the PCC agreements were carried out literally?

GENERAL MARSHALL: The only hope there would stem from the carrying out of the PCC agreements, both in spirit and in letter. Such action would leave the Communist Party without grounds for argument. However, the PCC agreements would have to be carried out, genuinely, or the whole affair would be meaningless. If you had a coalition government minus the Communist Party, how would you organize the State Council?

PROF. CHOU: The Communist Party seats would be left **vacant**. The situation in China would then resemble the present situation in India.

GENERAL MARSHALL: Such action would leave the Government **with** a majority. It would mean that there would be no real veto power. The Kuomintang would have to provide a real basis for effective veto or the result would still be one-party rule. China must have an opposition party because the Kuomintang cannot reform itself.

PROF. CHOU: Reformation of the Kuomintang Party is difficult because the Communist Party has its own army. In what length of time could the Communist Party complete its disarmament and preparation for integration?

GENERAL MARSHALL: At first, we figured on 18 months. The job could be done in 12 months, if all concerned cooperated to the fullest. Again I say that I am sorry that I am unable to give you a definite answer to your question concerning the consequences of Communist failure to participate in the National Assembly.

PROF. CHOU: We are in a very difficult position. The postponement of the National Assembly was accepted by the Generalissimo on the condition that the Young China Party would come into the National Assembly. Yet we have insisted that the National Assembly must follow PCC resolutions and procedure.

GENERAL MARSHALL: Leaving seats in the National Assembly for the Communist Party does not mean much, though it is a necessary action.

PROF. CHOU: The Government really intends to form a coalition government in name only; it will be a one-party government in practice. I have heard a rumor that the Government has offered to trade Kalgan for Manchuria. Is that true?

GENERAL MARSHALL: I know nothing about the matter. As you know, negotiations have been in the hands of the Third Party recently.

PROF. CHOU: Could you exert your great influence on the Generalissimo to influence him to maintain an atmosphere of goodwill in the National Assembly?

GENERAL MARSHALL: You have no idea how hard I have tried to influence the Generalissimo in the past. There is a hard-boiled element in the party that has ruined my efforts and is now ruining China. However, the basic trouble now is bitter distrust, of which I spoke earlier. Whenever I do get a concession from the Government, the Communist Party honestly feels that the concession represents maneuvering on the part of the Government. Take the Generalissimo's eight points, for example. They in part represent definite, important concessions which the Government did not want to make, yet the Communist Party treats them as articles of surrender. Moreover, the Third Party complicates the situation by calling the Assembly illegal. Again, I regret that I can give you no more positive guidance.

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893.00/11-1446: Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, November 14, 1946.

[Received November 14—8:17 a. m.]

1875. Summary Minister Information Peng Hsueh Pei regular weekly press conference follows:

National Assembly definitely open Friday morning with Generalissimo speaking. Denied would be any further postponements. Thirteen hundred delegates registered but no Third Party members to date, only handful registered since postponement. Said Government would convene Assembly and adopt constitution answered, would like point out Govt still earnestly hoping Communists and other parties will submit lists and take part even during session.

Admitted Committee of Three made no progress at informal meeting because Chou En-lai awaiting instruction from Yen-an. Said Govt had ceased fire but Communists not yet issued same order their forces. Denied Govt forces ringing Yen-an as charged by Communists.

Said Government not received any formal notice Communist delegation returning to Yen-an.

STUART

**XVI. NATIONAL ASSEMBLY'S MEETING AND ADOPTION OF NEW CONSTITUTION; GENERAL CHOU EN-LAI'S WITHDRAWAL TO YENAN; GENERAL MARSHALL'S REQUEST TO BE RECALLED (NOVEMBER 15-DECEMBER 31, 1946)**

893.00/11-1646 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, November 16, 1946—10 a. m.

[Received November 17—2: 17 a. m.]

1892. National Assembly was convened November 15 at 10 a. m. with 1400 delegates present out of 2030. Present were Kmt<sup>22</sup> representatives and 7 out of 9 non-partisan delegates to PCC.<sup>23</sup> The other 2 refused to attend.

Proceedings consisted solely of election of oldest delegate as chairman, unanimous standing vote of respect to President of National Govt and speech by Gimo<sup>24</sup> in which he reviewed history of constitutional assembly and called upon all delegates to draft and adopt a constitution calculated to advance the interests of the people of China. The meeting then adjourned until November 16, with the second session to undertake the work of organization. This meeting was subsequently postponed until November 18. During afternoon November 15 the Youth Party submitted its list of 120 delegates out of which the Gimo would select 100. It is still unclear whether other parties will participate.

Embassy's Chinese legal adviser, who is delegate to Assembly representing the learned societies, states that a movement has developed in the Hunan delegation, of which he is also a member, to organize other delegations for support of a projected resolution in which the Assembly would declare its competence to draft, adopt and enforce any constitution it chooses and to declare itself absolved from any responsibility in connection with either the May 5 draft or the PCC draft. The legal adviser states that as far as he can determine, this movement is without Kmt inspiration but it seems to Embassy that obviously with the present setup no constitution can be adopted without Kmt approval.

General Chou En-lai<sup>25</sup> called last evening to say goodbye indicating that he would put in a request today with General Marshall for transportation to Yen-an. He reiterated that he was leaving Tung

<sup>22</sup> Kuomintang.

<sup>23</sup> Political Consultative Conference.

<sup>24</sup> Generalissimo Chiang Kai-shek, President of the National Government of the Republic of China; for text of his address, see Department of State, *United States Relations With China* (Washington, Government Printing Office, 1949), p. 679.

<sup>25</sup> Head of the Chinese Communist delegation at Nanking.



Pi-wu <sup>26</sup> in his stead and expressed the hope that negotiations would not be broken off. Chou made his request to General Marshall this morning and will leave for Yen-an November 18 or 19.

STUART

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and General Chou En-lai at No. 5 Ning Hai Road, Nanking, November 16, 1946, 10:15 a. m.*

Also present: Mister Chang <sup>27</sup>

GENERAL CHOU: As I told you at the last meeting, I am preparing to leave. I have in mind going back on Monday. There are about 10 persons also going back with me but Mister Tung Pi Wu will remain here because we will still maintain a headquarters here. I also want Mister Chang to remain here to help Mister Tung with the work. I am not sure whether on your side transportation facilities will be available.

As to Peiping there are about 40 persons still there. General Yeh <sup>28</sup> has recently sent a wire to me asking what should happen to them if the Government launched an attack against Yen-an. I have taken up this matter with Doctor Stuart <sup>29</sup> and, therefore, I will take up this matter with you today. If the Government does attack Yen-an, then evidently the Government has blocked the last possibility for future mediation, and the Communist personnel in Peiping under General Yeh will have nowhere to go. Therefore, they have asked whether prior to a Government attack against Yen-an the American Branch would help them go back. I would like to hear your ideas on this matter.

As for maintenance here in Nanking, Mister Tung will remain inasmuch as he was the Communist representative who stayed for the longest time during the war in Chungking; and a small group of the Communist office will remain in Shanghai, about 10 persons or more; and in Nanking over 40 persons. In Peiping General Yeh has told General Gillem <sup>30</sup> specifically, and also I have told General Gillem before his departure from Shanghai, that we would like to see that the liaison in Executive Headquarters in Peiping is maintained even though there is almost nothing to do. I assume that you would like to

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<sup>26</sup> Member of the Chinese Communist Party delegation at Nanking.

<sup>27</sup> Chang Wen-chin, secretary to General Chou En-lai.

<sup>28</sup> Gen. Yeh Chien-ying, Chinese Communist Commissioner of Executive Headquarters at Peiping.

<sup>29</sup> J. Leighton Stuart, Ambassador in China.

<sup>30</sup> Lt. Gen. Alvan C. Gillem, Jr., American Commissioner of Executive Headquarters at Peiping.

see that this liaison is maintained but I am not sure what the Government's view on this matter is. If the Government does launch the attack against Yen-an, then it would indicate that it actually wants to get rid of everything. At the last informal meeting I already pointed out that the Government had withdrawn its liaison from Yen-an on November 9th, which is rather significant.

During the past ten months I felt very grateful for your personal efforts despite the fact that due to various reasons (including some change in U. S. policy during the last part of this year) the negotiations have ended in vain. But I feel that I still have high respect for you personally. Particularly since you have been confronted with even greater and more insurmountable difficulties about the time Doctor Stuart entered the negotiations, for which you have my deepest sympathy. The Chinese problem is too complicated and the changes are tremendous.

By opening the National Assembly, the Kuomintang has ultimately sealed the door of negotiations. Therefore I have to go to Yen-an in order to analyze and make a study of the overall situation. The Kuomintang, and particularly the Generalissimo, is intoxicated with the idea that force can settle everything but we believe that only the people can settle the issue. Primarily the determining factor seems to be: which group is "for" and which is "against" the Chinese people. We consistently stayed on the side of the Chinese people and struggled for them. We will never surrender in the face of force, but we also firmly believe that the only way out for China is peace, democracy, independence and unification. Therefore from now on we will struggle all the harder for a true peace through democracy, which means a coalition government. There must be an opportunity for a true peace and for peaceful negotiations before we will be willing to resume discussions. We do not want to be misled. I believe you are fully acquainted with our attitude.

GENERAL MARSHALL: In the first place, I will arrange for the air transport for you. The plane is available. Whether or not we can secure safe clearance by Monday is doubtful. Colonel Caughey<sup>31</sup> tells me it has always taken at least three days to get a clearance from Yen-an and it is not safe to fly in there until we have that clearance.

GENERAL CHOU: You mean the Communist Party clearance or the Government?

GENERAL MARSHALL: Most of the clearance trouble is in Yen-an. It takes quite a while to hear from our own agency there. We will do it as quickly as we can but I doubt if it is Monday. It is more apt to be Tuesday. I will have the sergeant here go out immediately and start them on the arrangements as soon as I have finished speaking.

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<sup>31</sup> Col. J. Hart Caughey, Executive Officer on General Marshall's staff.

As to the members of the Communist Party in Peiping, Shanghai, Nanking and their safety in the event of an attack on Yen-an, I have been told nothing about such an attack. I know nothing about it except as I see Yen-an broadcasts and the newspapers. Should it become desirable on the part of the Communist Party to evacuate their personnel from Shanghai, Nanking, Peiping, I will accept the obligation to provide the planes. The problem will be whether or not there is a good airfield that is in a region to which these men would wish to go. That will have to be arranged at the time. I repeat I know nothing about such an attack, and I would deplore such action, and I would do my best to stop it.

Now as to continuing the liaison in the Peiping Executive Headquarters, (and I assume the Changchun Headquarters) I understand you to say that you wish that continued however little it may be able to do. Is that correct?

GENERAL CHOU: Yes.

GENERAL MARSHALL: Suppose there was an attack on Yen-an as you fear. What about Executive Headquarters?

GENERAL CHOU: Now just a short reply to your last question: If the Government attacks Yen-an, I, myself, have been considering this question because General Yeh has asked my opinion. I thought that this would block all future opportunity for negotiation because Yen-an is our brain center and the Government attack would force the Communists to fight out. Up till now we still maintain liaison. That means that although the door of negotiations is closed, we will let our people stay in Peiping, Nanking, Shanghai though there is little to do, just to wait as there might be a future opening for negotiation. But in case the Government attacks Yen-an, I believe, though I did not inquire Yen-an about it, that Yen-an would instruct a complete withdrawal. This is entirely my personal opinion. While I am here I am always thinking about how to bring about a peace, but when such a moment comes I am afraid there is no other way to do it. But I say again I am not informed as to what Yen-an's intention is. As I, myself, see it, up till now we are entirely on the defensive despite the fact that 86% of the Government troops are fighting in our areas. But if they attack Yen-an, that would force us out of our areas and we would have to penetrate into the Kuomintang areas. That would bring about an immense chaos and block every possible door of the negotiation. I believe that not only the Kuomintang must restrain itself from taking such drastic action but also that some officials within the American Government, such as you and Doctor Stuart, who want to see peace in China, and also those who are thinking of world peace, must give sober thought to this matter. That is entirely what is coming out of my heart.



GENERAL MARSHALL: I appreciate your personal opinion. I hope the fears regarding Yen-an will prove groundless. Certainly I will do my best to avoid such a calamity.

There is a matter which I wish you to take up in Yen-an. Dr. Stuart told me this morning of Philip Fugh's <sup>32</sup> call on you and what you had said in relation to American policy and particularly in relation to American military men and to myself. It is useless for me to endeavor to mediate if I am not trusted as being sincere in an effort to be impartial. It does not matter what the Communist Party may feel or may think regarding the policy of the United States. The fact remains that if Yen-an does not consider me in a position to be sincerely impartial it is perfectly useless for me to remain here and, I should imagine, would do more harm in the end than it could do possible good. Therefore I wish you would formally determine from the proper authorities in Yen-an whether or not specifically they wish me personally to continue in my present position. I ask your associates to view it as a plain business proposition, without regard to the Chinese consideration of "face". I am not interested in that. My interest is solely in whether or not there is a possibility of my being able to render some service by way of mediation. I know I cannot do that if Yen-an has lost confidence in me. I certainly do not wish to continue in this painful position any longer than I have to. As I told you the other day, Dr. Stuart is here and his heart is in China. He will continue to be here, and the question then is—What is the best arrangement towards a possible peace and adjustment here in China? I am making a specific request of you and I will await your answer from Yen-an.

I might add this thought: If the Government launches an attack on Yen-an, the matter will be settled otherwise, because I think under those conditions President Truman would recall me.

GENERAL CHOU: I sympathize with you in making this request and I will put the question before Yen-an without reservation.

Before I depart, I would like another appointment with you for a free discussion.

GENERAL MARSHALL: I will be very glad to at any time.

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Marshall Mission Files, Lot 54-D270: Telegram

*General Marshall to President Truman* <sup>33</sup>

[NANKING,] November 16, 1946.

1765. DEAR MR. PRESIDENT: The National Assembly convened November 15 with a decidedly limited representation from non-Kuomin-

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<sup>32</sup> Assistant to Ambassador Stuart.

<sup>33</sup> Copy transmitted to the Acting Secretary of State by the War Department on November 16.

tang ranks. Some more delegates from non-party men and Young China Party were submitted last night I understand. While Dr. Stuart attended as United States Ambassador, I thought it best for me to be absent as I did not wish it to appear that I concurred with the Government in its approach to this Assembly. Dr. Stuart's presence I felt took care of the diplomatic requirements.

The Assembly is proceeding on a rather tentative basis for the first 2 weeks. Just what this will mean remains to be seen. The delay of 3 days from the original date, November 12, secured the promise of attendance by some Third Party men, but not all. It had the effect of disrupting the unity of action of the Third Party Group and seriously weakened its influence for good in acting as a balance between the two dominant parties.

General Chou En Lai called on me this morning.

(a) He wished transportation for himself and nine others to Yen-an on Monday. Today is Saturday. I agreed. He stated he was leaving Tung Pi Wu and 39 others here in Nanking as a liaison group and he was reporting to Yen-an to reanalyze the situation with the party governing group.

(b) He wished Executive Headquarters continued for the present even though there was little it could do. I agreed.

(c) He feared a large offensive operation against Yen-an. If this took place Communists at Executive Headquarters in Peiping and Changchun and in Nanking and Shanghai would have to be evacuated for safety. Where to would have to be decided later. Would I assist. I accepted obligation to evacuate by plane to place of safety where appropriate field was available for these Communist people. All along I had felt that this was my obligation as I had been largely responsible for their presence in Government controlled cities.

(d) He felt that an attack on Yen-an meant the termination of all hope for a negotiated peace. I have no information of Government plans for attack on Yen-an and would deplore such action and would oppose it strongly. If initiated I would feel that it terminated my mission.

Dr. Stuart left for Peiping this noon and returns Tuesday or Wednesday.

G. C. MARSHALL

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter*<sup>34</sup> to General Marshall

NANKING, 17 November 1946.

85705. Personal. Reur 1765. The President this morning directed dispatch of the following message to you :

"I have just seen your 1765 and approve your agreements with General Chou.

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<sup>34</sup> General Marshall's representative in Washington.

We want you to know that the circumstances that so far the Chinese have fallen short of acting upon your wise counsels in no way detracts from the high estimate we place upon the quality and utility of what you have done. You have forcefully put before the Chinese a standard of political wisdom and public duty which we feel has profoundly affected their thinking and must in time affect and direct their conduct. Much of an adverse character which might have happened during the past year has not happened thanks to your labours. Constructive results and benefits have come and will come from your mission.

You have my constant gratitude and confidence. Signed Harry Truman."

The President leaves this morning for a week at Key West but stated that I could reach him by telephone or the daily courier plane if you desired his urgent action on any matter.

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741.93/11-1846: Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, November 18, 1946—9 a. m.

[Received November 18—3: 55 a. m.]

1898. British Ambassador <sup>35</sup> called to inform me that he had received instructions from London Foreign Office regarding China policy of his Government which he indicated consisted of three points, the second and third being concerned respectively with British commercial and capital interests. The first was to the effect that British Government proposed to keep in step with China policy of US so far as this consisted in giving moral support to National Government of China and of encouraging in every possible way development of a strong and stable government on a broadly democratic basis. As to ways and means for carrying this out, Ambassador suggested that I consult with General Marshall and added that his Government hesitated to intervene for fear of complications with Russia. He said, however, that he would be ready to speak with President Chiang, Communist Party leaders and others whenever it was felt that this would be helpful. He added that Department had been similarly informed through British Embassy in Washington.

I of course expressed my personal gratitude for this assurance of Anglo-American association in a policy for China. Since his arrival in Nanking, I have been keeping in constant touch with British Ambassador regarding Chinese political developments.

Incidentally, in discussing the Foreign Office instructions with a member of the Embassy staff, Sir Ralph Stevenson queried how the

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<sup>35</sup> Sir Ralph Stevenson.



intention of British Government to avoid intervention in Chinese political affairs could be squared with its offer to have him cooperate with US in negotiating with the Communist Party delegation on domestic issues.

STUART

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Marshall Mission Files, Lot 54-D270

*Notes on Meeting Between General Marshall and General C. P. Lee*<sup>36</sup>  
*at General Marshall's Residence, Nanking, November 18, 1946,*  
*10 a. m.*

Also present: Captain Soong<sup>37</sup>

General Lee stated that the situation today is extremely critical. There seem to be two possibilities. One is an open bloody revolution at the end of which the Government would be totally destroyed. The other one is renewed hope for a peaceful settlement if action would be taken by the United States Government or the United Nations Organization, or if the Generalissimo would resign his post. He further stated that public opinion regarding the present government is rapidly deteriorating and that the situation today offers the Communist Party its best opportunity to win over the Chinese people. General Lee then said that third party members, such as Mr. Hu Lin,<sup>38</sup> have lost considerable stature through the present tragic situation because of failure to speak to the Generalissimo in a most frank manner. The present Government policy has thrown all the monetary resources into war. Such a policy has driven many good and capable persons to the Communists' side.

General Marshall then said that there are two things apparent to him. One is that the military leaders are now in the saddle and are thoroughly convinced that the Communist Party will not go through with any agreement reached. The other is, the strong political clique in the Kuomintang is firmly convinced that a coalition government is not possible because the Communists would merely disrupt such a government. With these two forces working together, they have produced the tragic situation of today. General Marshall also mentioned that it is clear to him that the Government is merely using the negotiations to prove its point of view regarding the Communist Party.

General Lee then said that the hope for settlement now rests largely on General Marshall and the American Government because they can

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<sup>36</sup> Chen-pien Lee, Director of the Serum Institute of the Chinese Ministry of National Defense.

<sup>37</sup> John L. Soong, U. S. Army, language aide to General Marshall.

<sup>38</sup> Editor of the newspaper, *Ta Kung Pao*.

force the Government to take a different course by openly announcing the discontinuance of support to the present Government. However, General Marshall stated that the U. S. Government cannot pursue a course of action that will destroy the foundation of the Chinese Government.

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Marshall Mission Files, Lot 54-D270

*Memorandum by General Chou En-lai to General Marshall*

NANKING, 18 November 1946.

DEAR GENERAL MARSHALL: In connection with our conversation today, I have just checked up that there are the following Communist personnel in Nanking, Shanghai and Chungking, who, in case of emergency, will require your assistance for air-lift to Yen-an or any other destination to be arranged later on:—

<i>Location</i>	<i>No. of Personnel*</i>	<i>Remarks</i>
Nanking	50	Communist Office
Shanghai	10	Communist Office
"	7	Relief Office of the Lib- erated Areas
Chungking	about 100	Communist Office and Press

As regarding the Communist personnel attached to the Executive Headquarters in Peiping and Changchun, I am instructing General Yeh to notify General Gillem directly.

[Signature in Chinese]  
CHOU EN-LAI

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Marshall Mission Files, Lot 54-D270

*Notes on Meeting Between General Marshall and Professors Lo Chung-shu, Wu Chi-yu, and Professor Yi at General Marshall's Residence, Nanking, November 19, 1946, 11 a. m.*

Also present: Captain Soong

Professor Lo expressed the opinion that all the liberal elements must join together and have an established organ to express their ideas. This organ could serve the purpose of working up public opinion, and give the people hope for a true democratic life.

General Marshall commented that some organization must be established quickly in order to serve as a balancing power between the Kuomintang and the Communist Parties. Further delay in meeting the political situation would mean disaster for the entire people of

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\*Note: Some babies exclusive. [Footnote in the original.]

China. General Marshall said that although the cultural elevation of the people of China is very important, it will be a lengthy procedure. General Marshall emphasized the urgent need of a party to offset the one-party domination of China. He further pointed out that the Communist Party must be handled politically instead of by force. General Marshall mentioned the importance of all liberals joining together to form an ever-growing organization. The idea of this organization would be to prevent either the Communist Party or the Kuomintang from persisting in wrong-doing. General Marshall frankly pointed out that the university professors cannot produce the tactical leaders for such an organization, and that such leadership must be furnished by liberals of political experience. He also suggested that these liberal elements should join together as an informal group instead of as another political party because he felt that if a new party should be created at the present moment, it would only add more complications to the situation.

Professor Wu asked if it would be possible to put the Communist Party back into a qualified position as the opposition party to the Kuomintang. General Marshall stated that in China today the military leaders are in the saddle. They are opposing all conciliatory actions proposed by the Government.

Professor Wu then asked to what extent the attitude of the Communist Party had been influenced by Soviet Russia. General Marshall replied that the Russian action so far as he knew had only been of negative character. However, the Kuomintang's policy of force invites Russian intervention. Professor Wu further asked if Soviet Russia and the United States reached a better understanding, would the negotiations between the Communist Party and the Kuomintang be accelerated. General Marshall replied that the two are related. The Kuomintang has always accused the Communist Party of allegiance to Soviet Russia and the Russians are very sympathetic toward the Chinese Communists. Moreover General Chou En Lai always felt resentful when the Chinese Communist Party was accused of being merely an agrarian movement.

Professor Wu then asked if it was consistent for the Kuomintang leaders to carry out a military campaign since they would have to rely on the United States for assistance. General Marshall stated that the United States Government would not support the Kuomintang in a campaign of force. He said that prior to August of this year the Government distrust of the Communist Party predominated. However, today the Communist Party does not place any trust whatever in any proposals of the Government. Professor Wu commented that lack of mutual trust between Kuomintang and the Communist



Party was due to historical hatred which can be traced back to the revolutionary days of 1923. The high officials in the Government, including the Generalissimo, are highly suspicious toward anyone outside of their own party. Therefore, there is no common ground for the Kuomintang and the Communist Party to come together. At the present time Professor Wu does not see any neutral party that can act as a mediator. The real need today is for a genuine third party, unlike the Democratic League or the Young China Party.

Professor Lo then asked whether it is possible for a third party to balance the situation between the opposing parties. General Marshall replied affirmatively and cited the Executive Headquarters as an example. He said the American members in the Executive Headquarters and its field teams served as a third party and they have served as a balancing of military power between the Kuomintang and the Communist members.

Professor Wu then said the liberal elements of many countries in Europe have been able to emerge and reform their governments due to the presence of external forces. In China such external forces are lacking. Can Chinese liberal elements bring about a social reform without the pressure from the powers outside? General Marshall replied that he thought they could.

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893.00/11-1946 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, November 19, 1946—1 p. m.

[Received 10:30 p. m.]

1908. When Chou En-lai called on General Marshall to inform him that he wished to return to Yen-an and to ask for transportation, he said that his trip should not be interpreted as action on his part to break off the negotiations but rather that he was going back for a short time for instructions and reorientation. He added that he was leaving Tung Pi-wu as head of the delegation of some 40 Communists in Nanking and 10 in Shanghai and that he hoped the negotiations could be resumed before long.

In distinction to the above, Chou has [on] two separate occasions during the last few days told American correspondents that his return to Yen-an does, in fact, constitute a termination of negotiations.<sup>39</sup>

STUART

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<sup>39</sup> For public statement issued by General Chou on November 16, see *United States Relations With China*, p. 683.

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*Minutes of Meeting Between General Marshall and General Pee* <sup>40</sup> at No. 5 Ning Hai Road, Nanking, November 19, 1946, 5:30 p. m.

General Pee told General Marshall that the Generalissimo instructed him to report that Mister Carsun Chang, representing the major part of the Democratic Socialists, will probably come into the National Assembly tomorrow. The procedure will be settled sometime this evening. Apart from the Communists, about three-fourths or two-thirds of the opposition parties have now joined in the Assembly. Tomorrow the names of delegates will be announced to participate.

General Marshall thanked General Pee for this information and inquired what business was transacted by the National Assembly today.

General Pee stated that he did not know, but that the Generalissimo attended the Assembly this morning.

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Mr. Butterworth* <sup>41</sup> at No. 5 Ning Hai Road, Nanking, November 21, 1946, 10:30 a. m.

Also present: Col. Underwood <sup>42</sup>

[Here follows discussion on various matters concerning the Embassy in China.]

General Marshall mentioned that General Yu Ta-wei <sup>43</sup> was coming to see him at 11 a. m. He referred to minority party representation in the National Assembly and opined that General Yu Ta-wei would probably ask if composition of the National Assembly met United States demands for a representative government in China. General Marshall asked Mr. Butterworth's advice on a reply to this question. Mr. Butterworth stated that he had never believed that a coalition government would work permanently in China. He considered it a satisfactory solution only during the interim period when the constitution was being prepared. Based on his European experience, he was somewhat skeptical of Communist willingness to cooperate in a coalition government. He felt that future events would be governed by the results of General Chou En-lai's trip to Yenan. He thought that the United States should advocate a united China so long as the Communist Party desired assistance from the United States.

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<sup>40</sup> Peter T. K. Pee, personal aide to Generalissimo Chiang Kai-shek.

<sup>41</sup> W. Walton Butterworth, Minister-Counselor of Embassy in China.

<sup>42</sup> Col. G. V. Underwood, member of General Marshall's staff.

<sup>43</sup> Chinese Minister of Communications and liaison for President Chiang with General Marshall.

General Marshall stated that the National Government was waging war on a large scale, heavily absorbing Government funds and contributing to increased inflation at the same time that it was asking the United States for large loans. He felt it important to make it emphatically clear to the Government that the military leaders were sinking the Government into economic chaos with their aggressive campaigns. He also considered that perhaps the time was propitious to tell the Generalissimo that the United States could not consider favorably a government dominated by his association with the military and CC<sup>44</sup> reactionary cliques, that the United States could not align itself with a reactionary government.

Mr. Butterworth recalled a copy of a memorandum<sup>45</sup> from Mr. John Carter Vincent<sup>46</sup> to Mr. Dean Acheson<sup>47</sup> bearing on United States reaction to a coalition government in China which excluded the Communist Party. This memorandum was produced and discussed. The meeting terminated with General Yu Ta-wei's arrival.

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and General Yu Tai-wei at No. 5 Ning Hai Road, Nanking, November 21, 1946, 11 a. m.*

Also present: Col. Underwood

General Yu Ta-wei asked for a review of General Marshall's recent conversations with General Chou En-lai, particularly with respect to cease fire arrangements. General Marshall read pertinent portions of the minutes of his last three meetings (10 November,<sup>48</sup> 12 November,<sup>49</sup> and 16 November<sup>50</sup>) with General Chou En-lai. His reading covered primarily General Chou's view of the relationship between the convocation of the National Assembly and cease fire arrangements. General Chou considered that once the National Assembly was called, the Communist Party would require a settlement of the entire military program before agreeing to a cease fire order. General Marshall also covered General Chou's fear of an attack on Yen-an and his (General Chou's) personal belief that if such an attack were made, the Communist Party would withdraw its entire personnel from Executive Headquarters, Nanking, Shanghai, and Chungking. General Marshall informed General Yu Ta-wei that he had requested

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<sup>44</sup> The Chen brothers, Li-fu and Kuo-fu, prominent Kuomintang members.

<sup>45</sup> August 21, p. 58.

<sup>46</sup> Director of the Office of Far Eastern Affairs.

<sup>47</sup> Under Secretary of State.

<sup>48</sup> *Ante*, p. 502.

<sup>49</sup> *Ante*, p. 524.

<sup>50</sup> *Ante*, p. 544.



General Chou to obtain the formal views of the Yen-an authorities concerning General Marshall's acceptability as a mediator. General Marshall referred to Dr. Stuart's conversation in Peiping with General Yeh, Communist Commissioner at Executive Headquarters, in which General Yeh mentioned the possibility of Dr. Stuart and General Yeh going to Yen-an to discuss current issues. General Marshall said that this trip was not certain by any means, since General Yeh had little authority in the matter, but that if the trip did take place, General Marshall probably would not go as his presence would create a translation problem.

General Yu Ta-wei was confused concerning the relationship in General Chou's mind of the National Assembly to cease fire arrangements. General Marshall clarified the issue once more by reading from the minutes. General Yu Ta-wei attached considerable importance to General Chou's statements on the following three points:

- a. Relationship of the National Assembly to cease firing arrangements;
- b. Continued Communist representation in Executive Headquarters and at Nanking for the purpose of capitalizing on any new chance for successful negotiations;
- c. General Marshall's request for Yen-an's view of his acceptability as a mediator.

General Yu Ta-wei asked that he be furnished an extract of the minutes which covered these three points in particular. General Marshall agreed to furnish him an extract of everything which he had read (See Incl. 1, Extract of minutes <sup>51</sup>).

General Yu Ta-wei asked if General Marshall thought there was still a possibility that the Communist Party might join the National Assembly. General Marshall stated that he could only make the merest guess, but that he thought there was no such possibility unless the Generalissimo would rigidly observe the PCC agreements regarding the drafting of the Constitution. He said that the Generalissimo recently indicated to him that he probably would not follow this procedure since it would alienate a large part of the party. Therefore, General Marshall felt that there was very little hope that the Communist Party would come into the National Assembly. He stated that if the National Government would cleanly and openly permit the application of the PCC agreements to the drafting of the Constitution, the Communist Party would have very little ground for boycotting the National Assembly.

The meeting closed with General Yu Ta-wei presenting a situation map (See Incl. 2) <sup>52</sup> as of noon 20 November, which contained plots of Communist offensive operations.

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<sup>51</sup> Not printed.

<sup>52</sup> Not reproduced.

Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to President Truman*<sup>53</sup>

[NANKING,] November 21, 1946.

1790. Reference Dr. Stuart's Embassy 1898, November 18th, the British Ambassador is seeking a discussion of matter with me and Stuart in a few days. I would therefore appreciate advice or instructions for my guidance so that I will be in step with Department's international relationships.

Incidentally, British Ambassador told Dr. Stuart that British now recognize the fact the United States has taken over the position in China previously held by the British.

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Marshall Mission Files, Lot 54-D270

*Memorandum by Colonel J. Hart Caughey to General Marshall*

[NANKING,] 23 November 1946.

TELEPHONE CALL AFTER MOVIE LAST NIGHT

Dr. Stuart called to say:

a. Wang Ping Nan<sup>54</sup> called on him this (yesterday 22 Nov) morning and discussed two matters:

1) CCP<sup>55</sup> concern over impending attack on Yen-an, to which Dr. Stuart said the matter rested mainly in CCP hands since it could be stopped if CCP indicated willingness to continue negotiations.<sup>56</sup>

2) CCP hope that you and Dr. Stuart do not give up hope, to which Dr. Stuart stated the matter was again in CCP hands since favorable attitude on part of Communists could assist in causing retention of American mediation effort. (Dr. Stuart said Wang appeared relieved)

b. He had just returned (last night) from talk with the Generalissimo. Dr. Stuart gave him the *Tribune* Editorial. They discussed the general situation. Gimo wanted to know your attitude and asked what the next move should be. Dr. Stuart said he told the Gimo he thought that after you and he had returned from your trips that some definite indication might have been received from Yen-an upon which additional mediation effort might be based.

J. H[ART] C[AUGHEY]

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<sup>53</sup> Copy transmitted to the Acting Secretary of State by the War Department on November 21.

<sup>54</sup> Member of Chinese Communist Party delegation at Nanking.

<sup>55</sup> Chinese Communist Party.

<sup>56</sup> Marginal notation by General Marshall: "Our attitude should *not* be one of accepting Yen-an attack as a justified threat to force CCP to accede to demands."

893.00/11-2146 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, November 21, 1946.

[Received November 21—5:45 p. m.]

1939. Minister [of] Information <sup>57</sup> 21st announced following action by Supreme National Defense Council with Generalissimo in attendance ratified by Standing Committee Kuomintang Central Executive Committee:

Revised draft PCC constitution and not May 5 draft approved for submission to Legislative Yuan which will probably submit it to National Assembly 25th.

Decided reorganization of Government to start with enlargement of Executive Yuan to 18 Ministries as follows: Interior, Foreign Affairs, National Defense, Finance, Economic Affairs, Education, Transportation (a land, water and air), Posts and Telegraph, Agriculture and Forestry, Social Welfare, Food, River Conservancy, Justice, Land, Public Health, National Resources, Mongolian and Tibetan Affairs, Overseas Chinese Affairs. In addition there will be 5 to 7 Ministers without Portfolio.

Also decided new State Council will have maximum of, but not necessarily, 40 members.

STUART

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to President Truman* <sup>58</sup>

[NANKING,] November 23, 1946.

1804. DEAR MR. PRESIDENT: The National Assembly has not yet proceeded far enough to give clear indication of its course though reactionary Kuomintang leaders' domination is evident. Meanwhile I am awaiting communication of Chou En-lai at Yen-an. His representative called on Stuart yesterday deeply concerned over threat of all out Government attack on Yen-an and question as to whether we were to continue to exert our influence to compose the situation. Chou En-lai is committed to make a report to me as to whether or not the Communist General Committee desires me personally to continue my efforts in mediation and so far I have had no word. He saw me for a lengthy interview 2 days before he left and called formally with his wife the evening before he left.

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<sup>57</sup> Peng Hsueh-peí.

<sup>58</sup> Copy transmitted to the Acting Secretary of State by the War Department on November 23.



Meanwhile I had held aloof from the Generalissimo. The Deputy President of the Executive Yuan <sup>59</sup> has been pressing me in the matter of financial assistance to meet the growing desperation of the economic situation. I have been very emphatic in stating to him that it is useless to expect the United States to pour money into the vacuum being created by the military leaders in their determination to settle matters by force, almost 90 per cent of the budget itself highly inflationary, going to military expenditures. Also that it was useless to expect the United States to pour money into a Government dominated by a completely reactionary clique bent on exclusive control of governmental power.

I am leaving for Tientsin this morning to talk to General Howard <sup>60</sup> regarding immediate reduction of Marine forces to a level of about 5,000. I am trying to accomplish this now while there is no pressure no[r] heat over some minor crisis, and also because the larger force is of no particular advantage and merely increases the chances of trouble. From Tientsin I will go over to Peiping to arrange some adjustments there in Executive Headquarters, returning here about Wednesday.

G. C. MARSHALL

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter to General Marshall*

[WASHINGTON,] 23 November 1946.

86246. Reur 1790. The Acting Secretary of State, Mister Dean Acheson, has asked me to send you the following message:

"1. We are confident that you have a knowledge and understanding of international relationships which fully qualifies you to speak for the Department in any conversation you have with the British Ambassador. There are no special quirks or angles or considerations unknown to you which would modify the general picture as you understand it.

2. As you know, one of our principal concerns, if not our principal concern, in endeavoring to bring about peace and unity in China, has been to forestall China's becoming a serious irritant in our relations with Russia. There has been much loose talk about China's becoming the stabilizing influence in the Far East. We have never felt that this was a possibility in the reasonably near future but we have hoped that China would not become an unstabilizing influence—which is an entirely different thing. There is also loose talk about China's in-

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<sup>59</sup> Wong Wen-hao, for conversation on November 18, see p. 1022.

<sup>60</sup> Maj. Gen. Samuel L. Howard, Commanding General, U. S. 1st Marine Division (Rein) and Marines in North China.

ability to fill the 'power vacuum' in the Far East created by the defeat of Japan. From chance remarks and attitudes of the British it appears that there is some feeling that Japan might again fill this vacuum, or at least be the 'stabilizing influence' in the Far East. From our point of view there is no power vacuum in the Far East. It seems to have been filled by Russia and ourselves. Therefore, the principal problem is adjustment of our relations there with the Russians without prejudice to our legitimate interests. It has been our hope, and we know it has been yours, that a peaceful settlement of China's internal problems would be conducive to such an adjustment. We have not given up that hope and are prepared to persevere in our efforts. Furthermore, although we welcome the cooperation and assistance of third powers in seeking a solution, we do not intend to relinquish our leadership. No question of a change of policy, or strategy, is presently being considered, although obviously tactics may have to be adjusted to suit changing circumstances.

3. The information given to the Department by the British Embassy (Stuart's 1898 of 18 Nov) consisted in Vincent's being allowed hurriedly to read a lengthy memorandum on China which a British Embassy officer said did not yet represent Foreign Office policy but was a draft prepared by British Far Eastern experts. This was about a month ago. There was much in it about trade and treaty relations. The political discussion contained a rather poorly veiled cynicism with regard to the wisdom of the policy followed by us in China. Although Vincent was led to believe that a more authoritative paper would be given the Department at some subsequent date, it has not yet been received. The British Ambassador's talk with Stuart may have been based on this same informal Foreign Office paper.

4. Somewhat over a month ago, Vincent had a long talk with an officer of the British Embassy reviewing for him in general terms the progress and character of your negotiations and also telling him broadly what we are trying to achieve. In doing so, he utilized material in some of the memoranda prepared on China, copies of which Colonel Carter has sent you: For instance, much of the material in the memoranda of conversation of 13 Aug <sup>61</sup> and 9 Sep <sup>62</sup> with the Chinese Ambassador <sup>63</sup> and the Minister-Counselor, <sup>64</sup> and some of the thought in the final paragraph of the memorandum of 26 Sep to Mister Clayton. <sup>65</sup>

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<sup>61</sup> *Ante*, p. 23.

<sup>62</sup> *Ante*, p. 163.

<sup>63</sup> V. K. Wellington Koo.

<sup>64</sup> Tan Shao-hua.

<sup>65</sup> William L. Clayton, Acting Secretary of State (p. 226).

5. We, of course, welcome British interest and desire to cooperate in regard to China. Although there are indications that the British do not altogether see eye to eye with us on China policy and there are reasons to take with a grain of salt a statement that the British are completely resigned to our having taken over the position they previously occupied in China, we feel that the British should be assured that by and large our interests with regard to China are parallel and that we desire to work in the closest harmony with them on matters of mutual interest. At the same time we should bear in mind Chinese proclivity for playing off one power against another and avoid any obvious United States-United Kingdom versus Union of Soviet Socialist Republics development in China. For these reasons, we feel that the British should not be encouraged to intervene actively in the China situation.

6. The foregoing thoughts are given you for such use as you may think it wise to make of them. You can of course best judge the extent to which the substance of paragraph 2 should enter into your discussion.

7. We will be interested in any comment you wish to make on the foregoing and also in your report of the conversation with the British Ambassador." End of Acheson message.

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893.00/11-2446 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, November 24, 1946—1 p. m.

[Received November 25—1:15 a. m.]

1956. Prominent feature of political situation during last week has been the National Assembly which was convened on November 15. So far four plenary sessions have been held which have been devoted to a large number of speeches by delegates and to the preparatory work of organization prior to submission of a draft constitution, probably sometime next week. Though there have been considerable backstage maneuverings going on, these have been far less obvious than one might have supposed. The actual proceedings of the Assembly itself have been conducted in an atmosphere of gentle confusion. Dr. Sun Fo,<sup>66</sup> who has been presiding temporarily, has apparently proven himself completely incapable of controlling those who wish to speak at the same time or of introducing real order into the proceedings. Speeches, by those apparently fascinated with that new western gadget, the microphone, have been continuously interrupted by irrelevant and peremptory demands from various delegates for equal

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<sup>66</sup> President of the Chinese Legislative Yuan.



rights for women, autonomy for the Mongolians, a place in the Presidium for the Tibetans, etc. The main restraining influence on irrelevance or excess enthusiasm is the presence of the Generalissimo who sits in the front row periodically passing up scribbled notes to the presiding officer.

The above, however, does not mean that there has not been some accomplishment. The rules of procedure as proposed by the Government were finally adopted without substantial amendment, even though it is difficult to recognize them in application. A controversy developed over the method of election to the Presidium but it was finally solved by agreement upon proportional representation. Forty-six of the fifty-five members have now been elected and of the remaining seats five are reserved for Communists, and four for third parties should they desire to participate.

The Youth Party, after the first session, decided to participate and their 100 representatives have been named though they have as yet taken no part in the deliberations. Negotiations between the Government and the Social Democrats for participation of the latter are still continuing. It appears that the Social Democrats will before long enter the Assembly though it is not unlikely that Carson Chang <sup>67</sup> himself will refrain from being a delegate. Other Third Party groups and individuals have remained aloof. The one exception is Hu Lin, editor of *Ta Kung Pao*, who allowed himself to be named as a non-partisan delegate, and, after the first session, returned to Shanghai from which vantage point his editorials continue to assail the one-party characteristics of the Assembly and what he believes to be the eventual intention of the Government to force through a constitution widely at variance with the PCC principles.

General Chou En-lai returned to Yen-an on November 19 and on the same day stated that negotiations could be resumed if the goal of those conversations was three-fold—the creation of a new interparty conference, the organization of a coalition government and the convening of a new National Assembly.

The Supreme National Defense Council, in concurrence with Kuomintang CEC,<sup>68</sup> announced a reorganization of the Executive Yuan, expanding it to 18 Ministries and 7 or 8 Ministers without Portfolio. There is now wide-scale speculation as to what the composition of the new government will be, including several guesses that the Generalissimo himself may take over the Premiership. The Council has also approved a draft constitution to be submitted to the Assembly the nature of which is not yet quite clear. It is represented as a compromise between the PCC draft and May 5 draft. It has subsequently

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<sup>67</sup> Member of the People's Political Council.

<sup>68</sup> Central Executive Committee.

been approved by the Executive and Legislative Yuans and will probably be submitted within the next few days. Considerable flurry was caused by a press report that the Generalissimo, in a speech at the newly convened Pacification Areas Conference, stated it would take 5 months to liquidate the Communists militarily, and 5 years politically. The Minister of Information subsequently issued a statement saying that the words attributed to the Generalissimo were so unintelligent as not to require a denial.

On November 22 Communist spokesman Wang Ping-nan called to express the hope that the Government could be dissuaded from launching an attack on Yen-an and that General Marshall could be persuaded to remain in China.

Meanwhile stories of military preparation grow thicker. The Communists seem convinced that the Government will launch an attack on Yen-an, and according to the Military Attaché there are, in fact, heavy troop concentrations around that area. Consensus is that such an offensive would undoubtedly be successful. Communist spokesman told officer of Embassy on November 19 that in event attack on Yen-an Communist forces would commence offensive operations in rear of Government forces. With guerrilla infiltration into Sian area or even into central China and in this connection he pointed to successful penetration into Honan and Hupeh by troops of Communist General Wan Chen after Government collapse that area in 1944-45.

STUART

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Marshall Mission Files, Lot 54-D270

*Notes on Meeting Between General Marshall and General Yeh Chieh-ying at Executive Headquarters, Peiping, November 26, 1946, 10 a. m.*

Also present: Capt. Soong  
Mr. Wang

General Yeh told General Marshall that he was planning to go to Harbin to settle the problem of an American liaison office in Harbin and that he would return to Peiping on the 29th. After his return from Harbin, he planned to go to Yen-an for consultation, although he had no instructions from Yen-an as yet. He said Mr. Tung Pi Wu telegraphed him that a meeting was held between Dr. Stuart and Mr. Wang Ping Nan, in which Dr. Stuart stated that he would continue his efforts to achieve peace and unity in China.

General Yeh then reported to General Marshall regarding the activities of the Communist Branch in the Executive Headquarters. He said that the Communist Branch was established on January 13. Up to May 7, there was a total of 400 Communist personnel in the Execu-

tive Headquarters, including 100 working for the liberation paper and 40 attached to the Communist Liaison Office in Peiping. However, since 7 May the Communist personnel withdrew gradually because of suspension of the liberation paper and termination of the liaison office. In the face of warlike conditions in Manchuria and North China since May, it was impossible for the Communist Branch to function fully in the Executive Headquarters and in the field teams. Now there are only 12 remaining in Changchun and 52 in Peiping. However, General Yeh pointed out that the fundamental staff members are still in the Executive Headquarters and that once negotiations are revived, the Communist Branch in the Executive Headquarters will be ready to function again. General Yeh stated three conditions under which the entire Communist Branch in the Executive Headquarters would withdraw: 1) If the Government did not desire the Communist Branch to remain in the Executive Headquarters; 2) If communications for and safety of the members of the Communist Branch were restricted; or 3) a total military and political split. If none of the three conditions developed, the Communist Branch would remain.

General Yeh described the convening of the National Assembly as a step toward political split and that if the Government forces attacked Yen-an, a military split would result. General Yeh charged that Government troops are actively preparing an attack on Yen-an. If the attack was actually made, further negotiations would be impossible.

General Marshall then said that the present difficulty was severely aggravated by distrust and mutual suspicion. He stated that since July the Communists, including General Chou, had based their logic largely on their own propaganda, and had become the victims of that propaganda. General Marshall contended that the Government propaganda was equally bad if not worse, but that he is concerned primarily with the 450 million Chinese now suffering from the dispute between the Kuomintang and the Communist Party. General Marshall stated that many of the Kuomintang members accused him of not knowing China; consequently he had invited Dr. Stuart to participate in the negotiations. However, when Dr. Stuart and General Marshall proposed the reorganization of the State Council in order to break the prevailing impasse, he found that Communist authorities would trust neither Dr. Stuart nor himself.

General Marshall said the mutual distrust was very serious. Both the Government and the Communists had at different times asked General Marshall and Dr. Stuart to give a guarantee for the opposing party, but that this guarantee could not properly be given by American mediators. Then, later, the integrity of General Marshall and Dr. Stuart was attacked by the Communists. Eventually, no one trusted anyone, and the situation became hopeless. General Marshall



believed that such a situation had been greatly welcomed by the reactionary group in the Kuomintang whose policy was to use force and to surrender as little political power as possible. General Marshall emphasized that the Communist attack on General Marshall and on the United States Government's policy in China merely served to give the Chinese people the misleading impression that the United States was favoring the Chinese Government.

General Marshall read excerpts from the minutes of his last meeting with General Chou before the latter's return to Yen-an. General Marshall stated he was just as interested as the Communists in the procedures outlined by the PCC and in the drafting and treatment of the Constitution before the National Assembly. Yet the present disagreement was not based on these fundamental issues.

General Yeh thanked General Marshall for his explanation. He said that since he had been in Peiping continuously, he could not comment. However, based on the fighting of the past five months, he would like to analyze the situation for General Marshall. He said that there were two evaluations of this fighting. First, the Government had scored impressive victories and now thought it could successfully conduct a broad military campaign. Second, although the Government had occupied many cities, the Communist troops were still intact, while the Government had lost much strength. Therefore, the Government had not actually been successful and a continued policy of force would not bring concrete results, and political negotiations should be revived. General Yeh elaborated on Communist strategy and claimed that evacuation of the large cities was in accordance with their plan. He emphasized that the Communists do not want any local victories; they want an over-all victory. General Yeh further pointed out that the Communists had learned through the past five months' experience that the Government does not have sufficient troops to conduct campaigns in Manchuria and in North China simultaneously and that the Government is conducting a rigid program of recruiting and taxation. General Yeh said that the greatest obstacles for peace today are the CC clique, Tai Li's<sup>69</sup> organization and the militarists in the Kuomintang. General Yeh hoped that General Marshall would study the situation carefully and try his best to convince the Government of the necessity for a peaceful settlement.

General Marshall said he felt that it was utterly wrong for either side to use military force and that military campaigns conducted in the past had been most regrettable. He stated that the situation could not be settled by force and that he had not agreed with either side on their military operations. He then asked General Yeh's opinion

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<sup>69</sup> Deputy Director of Bureau of Investigation and Statistics, Chinese National Commission of Military Affairs, until death in a plane crash earlier in the year.

regarding the usefulness of American members of the field teams in view of the deep-rooted anti-American feeling stirred up by the Communist propaganda among the rank and file. General Yeh commented that the anti-American feeling among the low ranks in the Communist Party was not directed at individual Americans and that once negotiations are reopened he was confident that field teams would function effectively.

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121.893/11-2946 : Telegram

*Colonel J. Hart Caughey to Colonel Marshall S. Carter*

NANKING, 29 November 1946.

1818. 1790 and 86246 refer. Mr. Acheson's views in 86246 much appreciated by General Marshall. For your own information General Marshall does not intend to take initiative in arranging meeting with British Ambassador but will not oppose a meeting, if Sir Ralph Stevenson requests same.

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893.00/11-2946 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, November 29, 1946—9 a. m.  
[Received November 29—1:55 a. m.]

1991. Plenary sessions of National Assembly were adjourned over weekend until November 25. Weekend activity consisted of meeting of Presidium, which continued to discuss rules of procedure—a question which was reopened despite the November 22 Plenary Session decision to adopt the Government's proposal. Little progress was made in reaching agreement at that time.

The most significant development of the weekend was the conclusion of negotiations whereby the Social Democrats submitted their list of delegates and took their seats on the floor. This fact was made known by publication of an exchange of letters between the Generalissimo and Carsun Chang, president of the party. Chang's letter set forth conditions that cease-fire order must be implemented; military reorganization must be carried out; disputes must be settled politically; civil liberties previously promised must be carried out; Government funds must no longer be used for Kuomintang activities; and party activities must be discontinued in the schools. In reply the Generalissimo expressed his appreciation that the Social Democrats had decided to participate and stated that the program of the Social Democrats was identical with that of the Kuomintang and furthermore most of Chang's conditions had already been put into

effect, particularly the provision of civil liberties, and the rest would shortly become fact. With this the capitulation of the Social Democrats became complete. Its 40 delegates, however, do not include any well-known political names and Chang himself stays out of the Assembly.

At the Plenary Session of November 25, over which the Generalissimo presided, the Generalissimo stated that the PCC decisions on the revision of the draft constitution can have binding effect on members of the various parties participating in the PCC, but not on the popularly elected delegates. He also stated that the Chiang-Chang letters were binding only on Kmt and not on other parties. This should be read in conjunction with the repeated Kuomintang assertion that the Kuomintang has only a minority of seats in the Assembly. (Actually it has only roughly 50%, though it unquestionably controls perhaps as much as another 25%).

At the time of the publication of the Chiang-Chang letters (reference Embassy's telegram 1986, November 27 <sup>70</sup>), a Communist spokesman reiterated that peace talks could be revived if a new PCC was called, a coalition government established and a new National Assembly summoned (reference Embassy's telegram 1982, November 27 <sup>70</sup>); Chen Li-fu <sup>71</sup> gave a press conference in which he attacked the Communists and expounded Chinese loyalty to the ancient virtues (reference Embassy's telegram 1985, November 27 <sup>70</sup>); and Lo Lung-chi <sup>72</sup> in a statement reaffirmed and re-explained the Democratic League's position in staying away from the Assembly (reference Embassy's telegram 1983, November 27 <sup>70</sup>)—

The two sessions on November 25 were devoted entirely to discussion and, finally, adoption of the rules of procedure. The only really major controversy developed over article 18 which stipulates that the Assembly can entertain motions only on two specific questions: (1) provisions of the submitted draft constitution and its eventual adoption; and (2) the date on which it is to be enforced. Strong opposition to this article developed which was finally put down only when the Generalissimo in a secret session of the Presidium announced that unless the Assembly adopted article 18 he would immediately resign as President of the National Government. Despite this threat the article was approved only by a very slim majority. This development automatically kills the movement which started in the Hunan delegation which would empower the Assembly to declare itself competent to

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<sup>70</sup> Not printed.

<sup>71</sup> Minister of the Kuomintang Organization Board.

<sup>72</sup> Leading member of the Democratic League.



undertake any action it chose on any subject. Reports reaching the Embassy indicate that Government attempts to whip the Hunan Delegation into line have been directed by General Chang Chun,<sup>73</sup> whose wife is Hunanese. Control of the Hunan Delegation is more important than might at first appear because of the large number of prominent army leaders who come from that area.

It is the general hope of most delegates that this final adoption of the rules of procedure will at last restore some measure of order. So far even the Generalissimo, when presiding, has been unable to maintain full control. His difficulty has been accentuated by what has been reported to the Embassy as a "revolt" in the Assembly against the predominating influence of the C-C clique. The dissatisfaction with the type of control maintained by the C-C clique started at the meeting of the Central Executive Committee of the party about a year ago and is now finding its expression in such incidents as the Hunan Delegation movement. This may have been one reason why Chen Li-fu decided to resign from the Presidium in order to devote all his time to acting as party whip. Developments to date indicate that the clique has for the time being at least been successful in maintaining its control and that the Generalissimo is still disposed to rely importantly on Chen Li-fu. As one delegate put it, Chen Li-fu still has a monopoly of one of the Generalissimo's ears.

Just what may eventually develop must, of course, remain in the realm of speculation, but it seems inevitable that there will be a deep impact on the party from the mere fact that its representatives of all shades of opinion and from all sections of the country have, for the first time since the beginning of the war, been thrown together in a common enterprise. The social results of this commingling will surely transcend even the immediate work of the Assembly. It is interesting in this connection to note that all members of the Assembly almost without exception and whether they be Kuomintang or not come from essentially bourgeois elements, namely professional men, businessmen and landowners. Direct peasant, labor or national minority representation is certainly lacking.

The draft constitution as approved by the Executive and Legislative Yuans, and drafted principally by Carsun Chang, has been published and is now awaiting discussion by the Assembly.

STUART

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<sup>73</sup> Chinese Government representative on the Committee of Three.

761.93/11-2646 : Telegram

*The Ambassador in the Soviet Union (Smith) to the  
Secretary of State*

Moscow, November 29, 1946—10 a. m.

[Received November 29—6:54 a. m.]

4251. Evening November 26, Chinese Ambassador <sup>74</sup> told me he believed his Government did not intend to extend current offensive to final assaults on Harbin and Yen-an.

Decision not to attempt capture of Harbin he said was based on Stalin <sup>75</sup> warning to Soong <sup>76</sup> during latter's visit here <sup>77</sup> that USSR would not be indifferent to action which would jeopardize Soviet paramount interest in former Chinese Eastern Railway. Foo quoted Stalin as having said USSR needed use of Chinese Eastern Railway during 30 years required to make Soviet Far East impregnable against attack by Japan. In view of strong Soviet feeling regarding North Manchuria, Foo said his Government did not wish to risk provoking Soviet retaliation by attempt to capture Harbin.

Similar reasoning applied to Yen-an. Foo said if Government captured Yen-an, Chinese Communists would be finished; their ability to continue to [on?] guerrilla basis is much exaggerated. Such development, he went on, might incite USSR to retaliation. Therefore in reply to query by Generalissimo, Foo had recommended to Nanking not to run risk from USSR involved in occupation of Yen-an and consequent collapse of CCP.<sup>78</sup>

Without attempting to comment on internal Chinese considerations implicit in Foo's statements, I would offer following remarks regarding what seem to us as probable Soviet reactions to Nanking capture of Harbin and Yen-an. I believe Central Government occupation of Harbin would indeed provoke sharp Soviet reaction, but that such reaction would probably not be open military intervention.

Because of its heavy military commitments elsewhere and its own internal difficulties, USSR will go far, even in Manchuria, to avoid direct clash with USA. Soviet reaction would probably, however, take form of intensified undercover political assistance to CCP in Manchuria and disguised military assistance. These forms of resistance would undermine and frustrate Central Government without posing open challenge to USA.

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<sup>74</sup> Foo Ping-sheung.

<sup>75</sup> Josif Vissarionovich Stalin, Chairman of the Council of Ministers of the Soviet Union.

<sup>76</sup> T. V. Soong, President of the Chinese Executive Yuan.

<sup>77</sup> Summer of 1945.

<sup>78</sup> Chinese Communist Party.

As for Yen-an, I doubt that its capture, even with far-reaching results which Foo described, would precipitate active Soviet intervention. Certainly Kremlin would not be indifferent to fall of Yen-an. And disintegration of CCP would represent a serious reverse to Soviet program for Asia. I doubt however that USSR would resort to overt military counteraction because intervention in North China would not only be more of an undertaking than in Manchuria but would involve greater risks of conflict with USA. Furthermore, USSR is anxious for political reasons to avoid evident interference in Chinese internal affairs. And finally, Kremlin, playing a patient long-term game and believing time to be on its side in China, would probably withhold its military hand—it has seen Communist parties crushed before only to rise again in strength and often of a more tractable character.

Therefore, I suspect that if Central Government occupied Yen-an, Soviet reaction would be confined pretty much to a violent press campaign, incitement of front organizations in other countries and undercover aid to CCP in Inner Mongolia and North China.

In short, I do not believe reason advanced by Foo for restraint toward Yen-an is wholly valid. I recognize, of course, possibility Foo may have knowingly or unknowingly been attempting to mislead me. Issue of what USSR reaction would be to Nanking capture of Harbin or Yen-an is, nevertheless, of more than academic interest and it is with wider implications in mind that I offer comments in preceding paragraphs.

Department repeat to Nanking, Tokyo.

SMITH

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893.00/11-2946 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, November 29, 1946.

[Received November 29—3:59 p. m.]

1998. Summary regular weekly press conference Minister [of] Information Peng Hsueh Pei 27th follows:

Denied National Assembly one party affair and quoted following statistics on delegates: Of 1744 delegates registered, 847 or 48 percent Independents, 725 or 42 percent Kuomintang and balance 10 percent divided with 118 Young China Party and 54 Social Democrats. Defined Independents as those elected by provinces and professional organizations and not by Kuomintang Party.

"This demonstrates that three of the four groups which held original Assembly meetings in 1938 are participating today while similarly of the five groups represented in last January's political consultative conference (Kuomintang, Communists, Democratic League, Youth



Party and non-partisans) all except Communists and part of the Democratic League are seated in National Assembly."

Queried about criticism that Government has broken PCC resolutions, Peng said "best answer that criticism [is] draft constitution which carries out PCC resolutions."

John C. Wu, China's Minister to Vatican and one of authors of new draft constitution, spoke briefly on document, saying it contained some best features of United States and English constitutions as well as some typically Chinese sections. Suggestions of members of minority parties given heavy consideration in writing constitution and some of its most vital articles contributed by such minority leaders as Carsun Chang. Entire constitution written with the view that it is more democratic to yield than to deny suggestions by the minority parties. President given power mediate disputes between yuans which was not included in PCC draft because of the necessity have some authority settle disputes between heads of various yuans. Draft constitution gives local governments greater powers and makes Executive Yuan responsible in certain matters to Legislative Yuan. In general, draft presented Assembly follows closely provisions suggested by PCC draft constitution committee.

STUART

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Dr. Stuart at  
No. 5 Ning Hai Road, Nanking, November 29, 1946, 6 p. m.*

Also present: Col. Caughey

Dr. Stuart told General Marshall that Mr. Wang Ping-nan had departed for Shanghai to attend memorial services for a friend of General Chou En-lai's. Dr. Stuart continued by stating that Mr. Tung Pi-wu had visited him at 3 o'clock this afternoon at the Embassy and that Tung Pi-wu professed ignorance of any promise General Chou had made that he would determine in Yen-an what the CCP reaction was to "American mediation". Dr. Stuart said that Mr. Tung Pi-wu continued with acrimonious comments with regard to the good intentions on the part of the Government and concluded by saying that he frankly did not trust American mediation. To substantiate his feeling, Tung Pi-wu had brought up the surplus property transaction.<sup>79</sup> Dr. Stuart stated that he had attempted to encourage Tung Pi-wu to accept some sort of a program that would assist in reopening mediation efforts such as the meeting of the Committee of Three. Tung Pi-wu replied that Yen-an would probably not accept that since the Government obviously does not want peace.

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<sup>79</sup> Signed at Shanghai, August 30, 1946; see pp. 1033 ff.

General Marshall asked Dr. Stuart if Mr. Tung Pi-wu is going to inquire of General Chou whether or not American mediation was still acceptable. Dr. Stuart replied that Mr. Tung Pi-wu had agreed to send a message to Yen-an and should have an answer in two or three days.

General Marshall told Dr. Stuart that he thought it best to wait until Monday and if no reply had been received by that time then he would send a message which would indicate that since no reply had yet been received it was his assumption that Yen-an's reply was in the negative and that he would act accordingly.

Dr. Stuart concluded the meeting by stating that he had an appointment this evening with the Generalissimo upon which he would report to General Marshall.

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Marshall Mission Files, Lot 54-D270

*Notes on Meeting Between General Marshall and General C. P. Lee at General Marshall's Residence, Nanking, November 30, 1946, 5:30 p.m.*

Also present: Capt. Soong

General C. P. Lee referred to many rumors from the newspapers relating to General Marshall's and Dr. Stuart's activities. General Marshall refuted all these rumors and stated that they were created entirely by the Chinese newspapermen.

General Lee reported that he had seen Mr. Tung Pi-wu yesterday and that he thought Mr. Tung was still friendly toward the American mediators. General Marshall said that Dr. Stuart also had a meeting with Mr. Tung, but Dr. Stuart was very pessimistic over Mr. Tung's attitude. General Marshall stated that Mr. Tung had flatly indicated his distrust toward American mediation. General Marshall expressed his hope that the National Assembly would adopt a constitution which was really in accordance with PCC resolutions, and that it would organize the State Council and reserve seats for the Communist Party. However, General Marshall expressed doubt that the Government would follow that course.

General Lee said that the Young China Party did not attend the National Assembly meeting yesterday because of disagreement with the Kuomintang over the draft Constitution. He said that the Kuomintang wanted to go back to the 5 May Constitution. General Lee pointed out that the new Constitution is largely based on PCC resolutions and that it is a fairly good one. He then said that if the Constitution were adopted, the Government should follow the provisions of this Constitution. General Marshall said that in order to insure that the Government would follow the new Constitution, it would be necessary to have a strong opposition party.

General Lee expressed the opinion that it might be helpful if the United States had an agreement with Soviet Russia over the situation in China. General Marshall stated that this is easier said than done. The United States could not get any cooperation from Russia over the smallest issues. He cited the 200,000 Japanese prisoners of war isolated in Dairen. Throughout the past year, no information reached the outside world that there were 200,000 Japanese repatriates remaining in that area and that no information could be sent out by the American Consul there. Therefore, General Marshall felt that if Soviet Russia was to be brought into the present negotiations, it would only tend to make things more complicated.

General Lee stated that there may be a chance in the future to reopen negotiations. General Lee stated that a trip to Yen-an by Third Party members such as Mr. Mo Teh-hui or Mr. Hu Lin might bear fruit. He also suggested that larger UNRRA<sup>80</sup> and CNRRA<sup>81</sup> programs for Communist-dominated areas might increase chances for new negotiations.

General Marshall asked General Lee how long he (General Lee) thought the Communists would want him to wait for their reaction to his further mediation. General Lee could not make a positive reply but hinted that General Marshall should wait for further developments. He said that only the Chinese people suffer from the struggles between the Communist Party and the Kuomintang. He stated that the world recognizes America as the greatest power. If such power were used correctly, all people in the world would benefit. General Marshall agreed. General Marshall emphasized that the main issues today are whether the Government will adopt a PCC Constitution and whether the Government will attack Yen-an.

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Mr. Butterworth at General Marshall's Residence, Nanking, December 1, 1946, 11 a.m.*

Also present: Mister Ludden<sup>82</sup>

Mister Melby<sup>83</sup>

Mister Sprouse<sup>84</sup>

Colonel Caughey

General Marshall opened the meeting by stating he was to see the Generalissimo and that he felt the reason for the Generalissimo's re-

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<sup>80</sup> United Nations Relief and Rehabilitation Administration.

<sup>81</sup> Chinese National Relief and Rehabilitation Administration.

<sup>82</sup> Raymond P. Ludden, Second Secretary of Embassy.

<sup>83</sup> John F. Melby, Second Secretary of Embassy.

<sup>84</sup> Philip D. Sprouse, Second Secretary of Embassy.



quest for such a meeting would concern, or would have as a basis, the new Constitution. Mister Butterworth stated that he and the Embassy people present had been discussing this matter previously in the morning, and agree in general that the new Constitution is based on PCC resolutions, is democratic, and should be adaptable to China's need; but he added that no Constitution, however good, is worth very much unless the people who are responsible for its promulgation are themselves democratic-minded and true servants of the people. Mister Ludden injected the thought that probably the most important single step toward democracy for China is to get the "party hands out of the public coffers" and stated that while enforcement of this policy would cause "a terrific uproar", such an enforcement could, itself, be a basis for the creation of a new minor party (consisting mainly of those evicted because of enforcement of the policy) with a leveling influence. General Marshall stated that he was relieved to know that Mister Butterworth had no particular points he wished him (General Marshall) to take up with the Generalissimo in this connection, and stated that he would assume there is nothing in the Constitution which he should contest.

General Marshall then asked Mr. Butterworth what his views were with reference to General Marshall's continued negotiating. For instance, General Marshall mentioned that various liberal members of the Government might proceed to Yen-an, thus indicating good intentions on the part of the Government, to invite the Communists to participate in the new Government. General Marshall also mentioned certain specific acts which might indicate good faith on the part of the Government, such as fixing the number of seats in the State Council at 9 for the Communists and 4 for the Democratic League; and moving for adjustments toward reorganizing the Executive Yuan, including Communist membership. (At this point there ensued a discussion on the organization of the Ministries within the Executive Yuan and a discussion as to which posts Communists might logically hold, such as Communications, and Agriculture and Forestry).

General Marshall then stated that upon General Chou's departure, he had promised to find out from the CCP specifically whether or not it wished him to continue in mediation, and added that no reply had been received. He asked Mr. Butterworth's opinion as to what he (General Marshall) should do. Mr. Butterworth stated that his instinct is against forcing a reply from the Communists since the reply probably would be negative and since, under those circumstances, there would be no recourse other than General Marshall's departure from China. General Marshall mentioned that should he leave China, Dr. Stuart would continue as Ambassador, and Executive Headquarters remain in existence, and asked what effect his leaving might have on the general situation.

Mr. Butterworth said General Marshall's presence in China was a desirable restraining influence on the Government. Mr. Butterworth added that he felt General Marshall's departure would be catastrophic, and in view of Dr. Stuart's inclinations, would cause the United States, as far as its policy is concerned, to drift toward full support of the National Government.

General Marshall pointed out that his role in China could be interpreted by many, particularly the reactionary group in the Kmt, as an undesirable necessity since by keeping him continually in the picture the Government reactionaries could continue their undemocratic practices and military campaigns under the guise of willingness to negotiate. He added that this places him in a position which could compromise the United States policy.

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Marshall Mission Files, Lot 54-D270

*Notes on Meeting Between General Marshall and Generalissimo Chiang Kai-shek, Nanking, December 1, 1946, 4-7 p.m.*<sup>85</sup>

The Generalissimo opened the meeting by asking me what was to be done in the present situation; the Communists not having replied to my question as to whether or not I continued to be acceptable to them in the role of mediator and also considering their refusal to participate in the National Assembly or in further negotiations.

I outlined at length the various developments which had led to the present situation emphasizing the fact, in my opinion, that the complete distrust of the Government in the good intentions of the Communists of last Spring had now been replaced by an overwhelming distrust on the part of the Communists of the good intent of any proposal of the Government towards a pacific settlement of differences. I commented on the fact that in the recent negotiations Dr. Stuart and I had found the Communists impossible to convince of the good intent of the Government or even our own integrity of action. However, I emphasized the fact as I saw it that even the most tolerant approaches of the Government, notably that of the Generalissimo of October 16th, were neutralized by military action—in the last case it being the attack on Antung and Chefoo at the same time as the announcement of the Generalissimo's eight points. I stated that at the present time the only hope I could see to secure the cooperation of the Communists in the establishment of a democratic form of government would flow from the adoption in this Assembly of a constitution

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<sup>85</sup> Madame Chiang Kai-shek, as interpreter, and Ambassador Stuart were present. In telegram No. 1827, December 2, General Marshall reported the substance of his notes to President Truman and the Acting Secretary of State for their information.

which was in accordance with the agreements of the PCC and this would be followed by establishment of the State Council with the seats accorded the Communists and the Democratic League and a bona fide reorganization of the Executive Yuan. I said that from a cursory examination of the constitution proposed to the National Assembly which had been made available only late the previous evening, it appeared that the document was in reasonable accord with the PCC. If that were adopted without some amending sentence which vitiated protections that all liberals were insisting upon and if definite steps were taken to put it into effect and the other steps referred to were taken, then I thought the Communists would be in a weak position if the Government sent a representative to Yen-an inviting them to join in the procedure. I added that, of course, it would be necessary that the military operations cease except those of a defensive nature which must be for a bona fide purpose of defense and not by way of retaliation. I stated that Dr. Stuart had suggested the advisability of the Generalissimo, at such a moment, making a public statement, but on my part I thought it would be better if an approach to the Communists were done privately so that the usual arguments of unilateral action and propagandizing the world could not be made.

I then made detailed references to the precarious economic situation, the size of the military budget (about 90%), the fact that a virtual vacuum is being created in the assets of the Government to the support of the extensive military efforts at the present time and at the same time I was being pressed more frequently to favorably recommend to the U. S. Government various loans. I gave my estimate of what would happen if there was a financial collapse—that the Kuomintang Party would be imperiled and that a fertile field would be created for the spread of Communism. I also elaborated on the fact, as I see it, that the military commanders are wholly unaccustomed to any consideration of financial restrictions. The National economy is not a factor with them as it is almost conclusively with American Army officers, as was my preoccupation for years. I expressed the thought that the Communists were aware of this approaching crisis and that it entered into their calculations in the formulation of their plans. Directly opposed to this was the view on the part of leaders in the Government that the issue could be settled by military force with which I not only disagreed as a military measure, but felt that before sufficient time would elapse to prove the case there would be a complete economic collapse. I cited the example of the inability of the Government to keep the railroad opened between Chinwangtao and Tientsin since the withdrawal of Marines and the fact that I found that the sections of Hopei province which had presumably been



occupied by the Government were still dotted throughout with Communist headquarters.

I summed up the situation with the comment that the Communists were too large a military and too large a civil force to be ignored; that even if one disregarded the brutality of the inevitable procedure they could not be eliminated. Therefore, it was imperative that the efforts to bring them into the Government should continue and the greatest care should be taken to avoid having military action disrupt the procedure of negotiations.

The Generalissimo replied in a statement of more than an hour. He expressed again his firm conviction that the Communists never intended to cooperate with the Government; that they were acting under Soviet influence; that their purpose was to disrupt the Government and to influence its foreign policy.

He referred briefly to the economic situation stating that while the situation was serious in the cities, it was a fact that the economy of China was largely based on the agrarian population and he felt that there was not the danger for about two years of a collapse that I had indicated. He described his past experience with the Communists and then entered into a detailed discussion of the military factors.

The Generalissimo stated that he felt that it was necessary to destroy the Communist military forces. If that were done there would not be great difficulty in handling the Communist question. He estimated that some eight to ten months would be required for this purpose. He referred in detail to the changed situation which had followed from his early contests with the Communists now that roads were available through the country to permit freedom of military movement. He was confident that the Communist forces could be exterminated in 8 to 10 months.

The Generalissimo then turned to Manchuria. He stated that the most valuable part of Manchuria to China was that south of Changchun and that he felt able to maintain the National Government in that region. He would refrain from an advance on Harbin largely because he felt that so long as he did not take that action the Russians on their part would take no action inimical to the Central Government of China. He discussed at length the Russian reactions and stated that it had been his experience, and it was his belief, that whenever the Central Government of China showed its strength the Russians acquiesced to peaceful arrangements. He cited the Russian reactions following the capture of Antung. He felt that so long as the National Government of China showed a strong hand the Russians would at this time cooperate with the Central Government in negotiations and arrangements. He expressed belief that the Rus-

sian intention was to avoid complications in the Far East so long as they were heavily involved in Germany.

The Generalissimo then referred to his age of 60 and that he no longer had the activity and energy he once possessed and he must soon terminate his role as leader, but that he felt that it was his duty to the Chinese people not to surrender this control until he had positively settled the Communist question.

The Generalissimo then expressed the opinion that I should consider that my mission was not exclusively confined to bringing the Central Government and the Communist Party together, that now that the Communists had displayed an unwillingness to cooperate, my role should be to facilitate the development of stability in the present Government of China and in the Far East. He felt that the U. S. should redefine its policy towards China in the light of the present situation, meaning evidently, in effect, that it should no longer be considered practical to consider the Communists as a working part of the Government.

The Generalissimo closed by asserting that he would do everything he could to bring the Communists into the Government by peaceful negotiations. That he would consider the suggestions that I had made and Dr. Stuart had made to this end.

Replying to his implication regarding American policy and the Communist Party, I briefly restated my view that you could not ignore this large group and the Government was not capable of destroying it, in my opinion, before the country would be faced with a complete economic collapse.

I did not discuss what to me was of vital concern and that was the collapse of the Kuomintang Party and the growing disapproval of the people in the character of government or misgovernment the party was giving the country.

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Mr. Beal*<sup>56</sup> at  
No. 5 Ning Hai Road, Nanking, December 2, 1946, 5:30 p.m.

Also present: Col. Caughey

Mr. Beal stated that the reason he wished to see General Marshall was to give him his reaction to the National Assembly. Mr. Beal stated that he had attended all of the meetings and noted that apparently the reaction in the United States to these meetings was unfavorable, whereas he got the opposite impression. He stated that at first the meetings seemed to be conducted without any definite pro-

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<sup>56</sup> John R. Beal, American adviser to the Chinese Government on foreign press and political relations.

cedure, but that at the third meeting, a document prepared by the Presidium to correct this aspect was adopted and thereafter the meetings appeared to be more orderly. Mr. Beal said that he thought the National Assembly had made a real start toward democracy and thought that the CCP was "out of luck" for not coming in. Mr. Beal said that he had little specific data upon which to base his opinion, but that his reaction was that the atmosphere surrounding the National Assembly is good. Mr. Beal mentioned the fact that the Generalissimo, on the third day, had tried to stop one of the speakers on the grounds that his discussion was too lengthy. The speaker retorted that no grounds existed to support the Generalissimo's contention and the Generalissimo receded from his position; in other words, the Generalissimo, himself, is having lessons in democracy forced upon him.

Mr. Beal stated that he found the Draft Constitution sound and democratic. To this, General Marshall agreed, and stated that this was the consensus of the Embassy officers also. General Marshall added that he hoped no amendment would be made to the Constitution to vitiate its value.

General Marshall stated that he was very glad to get Mr. Beal's reaction to the National Assembly.

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893.00/12-246

*The Ambassador in China (Stuart) to the Secretary of State*

No. 305

NANKING, December 2, 1946.

[Received January 7, 1947.]

Subject: Political Negotiations.

SIR: I have the honor to report the following developments in the Communist issue.

Before General Chou En-lai left for Yen-an on November 19 General Marshall asked him to secure as promptly as possible on arrival a categorical statement from the Yen-an leaders as to whether or not they still desired him to continue his efforts. He agreed to this. The failure of the Communist Party to match the Government's cease-fire order and of General Chou to participate in the Three-Man Committee (except for one "informal" meeting), together with his announced return to Yen-an, were enough to justify General Marshall's interrogation. True, he pointed out that he had left two representatives here to demonstrate the possibility of further negotiation.

On November 29, no reply having been received, General Marshall and I conferred as to what we should do next, with the result that I asked Tung Pi-wu, one of the Communist Party delegates, to come



to see me. In a lengthy discussion he urged that the Communist Party had never declared that they rejected American mediation, but when I asked whether he cared to put this more positively and state that they desired this to continue he avoided a direct answer. He agreed, however, to send a message in the form General Marshall requested—"How long they expected him to wait for a reply to his question?"—and thought an answer might be received in two or three days. Mr. Tung also confirmed the published statement that the Communist Party would continue to negotiate on the three following conditions:

1. That conferences be renewed based essentially on the PCC resolutions.
2. That the Government be reorganized on this basis.
3. That there be another National Assembly to supersede the present one.

It is difficult to interpret the motives behind these propositions which can scarcely be regarded as practicable. The intelligent leaders of the CCP must be aware of the skeptical attitude the Government would take toward a resumption forthwith of negotiations on such a scope after nearly twelve months of futile discussion and the latest Communist Party defection. Even more impossible would it be to expect the Government to declare that the Assembly now in session is illegal, that its work has been useless, and the fifteen or sixteen hundred delegates must depart and come again when summoned. The Government had already determined to effect the second item.

On December 1 President Chiang, with Madame Chiang as interpreter, General Marshall and I had a conference lasting almost three hours. President Chiang began by asking our opinion as to what should be done if all attempts to win Communist Party cooperation finally came to naught. General Marshall reaffirmed with admirable clarity and frankness his conviction that the Communist Party problem could not be solved by military means and that through the continued attempts to do so would plunge the nation before long in financial chaos. He recognized that in their present mood of animosity and distrust there was not much hope of persuading the Communist Party to abandon its insistence on meticulous details of procedure and come to agreement on the larger issues, but he felt that every endeavor should be exerted to this end. President Chiang agreed to this last but repeated his own belief that the Communists were not so much controlled by fears and suspicions as by a deliberate policy of obstructive delays in order to bring about the collapse of the Kuomintang Government. As long as the Government was in the ascendancy his experience with Russia was that she would be too realistic to aid the Chinese Communist Party, especially in view of

her present preoccupation with problems on her western borders. Although economic conditions were bad throughout the country, causing wide-spread hardship, yet this was more true in the ports and industrial centers, and he believed that the national economic structure could stand the present strain for another two years. He was confident that the Communist Party military power could be shattered in another nine or ten months, and that the areas under their control could then be restored to normal allegiance by political methods, as had proven true in Kiangsi and elsewhere after the Communist Party evacuation some sixteen years ago. He argued that with their bases destroyed and with motor roads, airplanes etc., guerilla warfare would not be as easy as it had been hitherto. He fully endorsed the importance of reform in the Government and of improved local administration as the surest means of weakening the Communist Party influence, but insisted that if they maintained an armed force and refused to resume peaceful negotiations, it would be impossible to avert civil war. President Chiang felt that ultimately the problem would narrow down to the situation of Manchuria. His intention was to get control of Manchuria south of Changchun, which was the industrially important area and for the present make no attack on Harbin and leave the Communist Party undisturbed in that area, thus avoiding any possible clashes with Russia. He added that, being now sixty years old and in any case uncertain as to when his active service might suddenly end, he felt the responsibility of finishing by one means or another this Communist Party issue while he was in power. In conclusion he urged that in view of the altered situation the American Government reconsider its policy for securing unity and peace in China and stability in Eastern Asia.

It was informally agreed that if the National Assembly should approve the Constitution essentially as presented to it, and after the State Council had been elected with seats assigned to non-government members including nine for Communist Party, and a definite decision could be announced as to reorganizing the Executive Yuan, it would seem wise to make one more final appeal to the Communist Party to consider the national welfare and to take the necessary steps for participating in a coalition Government. This appeal should be in the most irenic and conciliatory tone, but whether to be made publicly or through messengers sent to Yen-an for private consultation was left open for further consideration.

Meanwhile the National Assembly is holding daily sessions. There are many signs of inexperience in parliamentary debate and of noisy crudities in behavior. But all of this is at least indicative of spirited interest and belies the jibes that it is completely dominated by the Kuomintang machine. Actually this is probably true of only about

one-third of the delegates. The remainder are more or less independent members of the Kuomintang, or of the minority parties, or non-party delegates, these last being perhaps the most influential group. The revised draft of the Constitution is very close to the PCC resolutions, due chiefly to strong pressure by President Chiang. It is being strenuously opposed by the reactionary Kuomintang element numbering about two hundred delegates, and it is probably due to his constant and alert presence that there has been no recourse to violence. As it now appears, the Constitution will be passed by a majority of about nine hundred. It is estimated that the opposition can from present indications rally another two hundred or so, with two to three hundred uncertain. If this result is achieved it will be a personal triumph for President Chiang as well as an encouraging evidence of his sincere intention to inaugurate a modern form of democracy.

Respectfully yours,

J. LEIGHTON STUART

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893.00/12-346 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, December 3, 1946.

[Received December 3—6:50 p. m.]

2028. Summary special Ministry of Information press conference on National Assembly December 2 with Sun Fo, President [of] Legislative Yuan and member National Assembly presidium: Government ready at all times to resume peace negotiations with Communists and would welcome participation by Communists in reorganized government at any time. Had not heard of any new developments in peace talks but Govt was leaving door wide open.

National Assembly likely recess for few days or week at most as soon as nine committees formed which will study draft constitution, section by section, in order to make recommendations to the Assembly for adoption as written or recommend changes. Asked if expected important changes in draft, Sun Fo replied that is up to committee.

Queried about Assembly discussion over disputed sections, Sun Fo continued: Some delegates objected because National Assembly given too few powers and Legislative Yuan too many powers. May 5 draft which gave National Assembly additional power to elect President, amend constitution, and right to elect members of legislative and control Yuans, not sufficiently democratic because it would give Assembly body of two to three thousand a monopoly over the selection of the people who would make the laws of the nation and execute them too. Power of National Assembly now limited two functions—(1) to act as electoral college to elect President with power of recall also and (2) to propose and adopt amendments to constitution.



Objection by other political parties to widespread powers of Assembly well taken since would not be direct democracy. Legislative and control Yuans should be elected directly by provincial electorate.

Confusion of ideas causes much of criticism. For instance, criticism by some delegates that present draft violates division of powers is mistaken criticism because people not studied subject thoroughly. For member Legislative Yuan sit in Assembly not division of power because any person as employee of Government has limited function but as citizen can vote and exercise his political right. As example, President United States votes in American elections.

Up to now, no immediate indication State Council or other parts of Government would be reorganized during Assembly. Reorganization will be soon but not in next few days.

Saw no compelling reason to change provision constitution making Nanking permanent capital.

STUART

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter to General Marshall*

[WASHINGTON,] 3 December 1946.

86851. Personal. This morning when I delivered your 1827<sup>87</sup> to the President he requested me to assure you again that he was relying entirely on your judgement on all China matters. He asked me to tell you that this included any decision you might make concerning your withdrawal or return for consultation. He said that he did not mean to imply in any way that he felt you should withdraw, but he wanted to make it clear that the matter was entirely in your hands to be decided only by you. He stated that at such time as you felt the situation called for your return, all you had to do was to notify him how you wanted the matter handled and it would be done that way. He admonished that I should not in any way give you the impression that he or anyone else in a responsible position was attempting to influence you or to urge you to withdraw. On the contrary his only desire is to impress upon you that the matter is yours and yours alone to determine. Finally, he stated that his remarks were made purely to assure you of complete and unrestricted freedom of your action in this regard. These remarks were made to me in the presence of Admiral Leahy<sup>88</sup> who by chance was with the President when I delivered your message. Neither individual read 1827 while I was there.

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<sup>87</sup> Not printed, but see footnote 85, p. 575.

<sup>88</sup> Fleet Adm. William D. Leahy, Chief of Staff to the Commander in Chief, President Truman.

Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and General Yu Ta-wei  
at No. 5 Ning Hai Road, Nanking, December 4, 1946, 11 a.m.*

Also present: Col. Caughey

General Yu Ta-wei opened the meeting by handing a map (attached)<sup>89</sup> to General Marshall explaining that it showed the places and dates of Communist attacks. There followed a brief discussion as to recent Communist attacks at various places indicated.

General Yu Ta-wei inquired if General Marshall had received any word as yet from the Communists regarding his question to General Chou. General Marshall replied that he had not. General Yu Ta-wei wished to know if the statement made by the Communist spokesman, Mei I, could be accepted as an answer. He said that this was mentioned in a Yen-an broadcast and later an editorial on it was written in the *Central News*. General Marshall stated that he had noticed the statement but had paid little attention to it; he was still waiting for a formal reply from the Communists. He stated that Dr. Stuart had asked Mr. Tung Pi-wu the question of how long he (General Marshall) was expected to wait for their reply. Mr. Tung had disclaimed any knowledge of the matter. Dr. Stuart asked Mr. Tung, however, to transmit to Yen-an the question of how long General Marshall should be expected to wait for an answer.

General Marshall told General Yu Ta-wei that Gerald Sampson, in an interview with him, told of several attacks made by Mao Tze Tung<sup>90</sup> and others on General Marshall's integrity.

General Marshall then stated that, along the line of publicity, the recent report by the *Central News* of the 4,000 word report of the conference between General Chou and General Marshall that was handed to General Yu Ta-wei was very unfavorable publicity to General Marshall as it put him in the position of being a reporter for the Government. He reminded General Yu that he had hesitated for four or five days before handing over this report as he had not asked—as he had always done before—General Chou's permission. In this case, General Chou had already left for Yen-an. It was not until General Yu Ta-wei brought the Generalissimo's request that he be permitted to see pertinent portions of the latest meetings, that he turned them over to General Yu.

General Yu Ta-wei stated he was very sorry that this report had leaked out. It was an incorrect report, he stated, since General Marshall had not given him the full text of the minutes. As soon as General Yu Ta-wei received it, it was given to General Chen Cheng<sup>91</sup>

<sup>89</sup> Not reproduced.

<sup>90</sup> Chairman of the Central Committee of the Chinese Communist Party.

<sup>91</sup> Chief of the Chinese General Staff.

who, in turn, delivered it to the Generalissimo. General Yu said that he never gives press statements except in regard to communications. He did not know who the "authoritative sources" the press mentioned were.

General Marshall asked General Yu what was happening in the National Assembly. General Yu replied that, aside from the opening meeting, he has not attended the National Assembly but that from all reports everything was proceeding according to schedule. There seems to be some argument which Draft Constitution should be used as a basis for discussion but it is General Yu's opinion that it would be the PCC draft. In reply to General Marshall's question if there would be many amendments to the draft, General Yu remarked that it was a free discussion so anything could happen. He asked General Marshall what he believed the chances were of the Communists coming into the National Assembly.

General Marshall stated the only chance of the Communists coming into the National Assembly is for the Government to actually come through with some changes. For instance, if they adopt the present constitution without disrupting it by amendments and tricky phrases the Communists may come in. If a Constitution reasonably in accord with PCC agreements were adopted; the State Council reorganized—leaving vacant seats for the Communists and Democratic League; the reorganization of the Executive Yuan begun; then the Communists would be placed in a rather difficult position.

General Marshall commented that the National Assembly is much less of a "steam roller" procedure than was anticipated. Mr. Beal was favorably impressed and was quite surprised at the freedom of debate. Mr. Beal believes it is a true lesson in the democratic procedure. It originally lacked rules of procedure, but it gradually evolved a normal set of rules. The fact that the Generalissimo was contested personally was unheard of before in China. Now our only trouble lies in that we may find "steam roller" tactics used. General Marshall believed that if the actions of the Assembly could be above suspicion, then most of the criticisms of unilateral actions will cease to have importance. What the Assembly had done so far was what every liberal wanted it to do. General Marshall cited two brands of hope for the Assembly: First, that the Assembly is effective even with the Communists absent. Second, that the Communists be offered the opportunity to return to the Assembly. General Marshall thought it would be best to have the Assembly adopt a Constitution, leave seats open for the Communists in the State Council, begin the reorganization of the Executive Yuan. While that is being done, the Generalissimo should send a representative privately to Yen-an to discuss with the Communists, ways of their coming into the National



Assembly. That might do the trick. The Generalissimo would want to make a public statement but it was General Marshall's belief that that would invite the usual Communist reaction of distrust and suspicion. General Marshall stated that the above mentioned actions must be accompanied by a cessation of aggressive actions on the part of the Government. The one trouble with that would be that the Government might resort to much abused "self-defensive" measures. It was General Marshall's hope that the military leaders would not become involved in retaliation since that would dismiss all chances of the Communists' participation in the Government.

General Marshall stated he had been informed that much of the pressure had been lifted from the press. He believed that was very encouraging. General Marshall added that, in the past, the Government made the serious mistake of bringing pressure against the highly educated people. These were people who were opposed to military domination and they had been under threat for quite some time. General Marshall believed that if the Assembly operates all right, the pressure is removed from the press, and if the Central News Agency takes a more dignified tone, more rapid approach to democratic procedures could be expected.

General Marshall told General Yu Ta-wei that handbills were scattered over the streets of Nanking yesterday, apparently by Communists. They stated that Generals Marshall and MacArthur<sup>92</sup> were bringing Jap officers to Nanking to confer with the Generalissimo. It was General Marshall's belief that this propaganda was strictly for local consumption. He stated that news of this propaganda abroad would do the Communists a great deal of harm. General Yu Ta-wei stated he had not heard of these handbills before.

General Marshall stressed once more that he believed if the Generalissimo made a public statement telling what the National Assembly was doing and inviting the Communists to participate, the Communists would take that as a speech for world consumption and would react against it. On the other hand, if a Government representative went to Yen-an and talked over privately the arrangements whereby the Communists could participate then there might be some chance of success in the venture.

General Yu Ta-wei stated he saw the point of General Marshall's remarks. He wished to know if General Marshall thought there was a 50-50 chance of the Communists accepting. General Marshall did not believe there was that much chance but it would all depend upon the future actions of the Assembly—together with a complete cessation of offensive military actions and statements.

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<sup>92</sup> General of the Army Douglas A. MacArthur, Supreme Commander, Allied Powers, Japan.

In discussing the liberalization of the Government, General Marshall remarked that the Communists considered the Generalissimo's appointment of General Yu Ta-wei to Minister of Communications was merely to fill up posts with respected non-party men which were wanted by the Communists.

General Marshall reported that the Generalissimo believed he could end the campaign against the Communists in 8 to 10 months now that he had better roads and communications, and he did not believe that the economic situation was too bad so long as the agrarian population could back him. General Marshall disagreed entirely with this view, stating that the Executive Yuan had now more than ever before pressed him for loans. In the past the agrarian population probably saved China from a complete collapse for several months but that could not continue indefinitely. General Marshall recently received word that two loans he had requested for China, the Canton-Hankow RR loan, and the Yellow River Bridge loan, had been turned down by the Eximbank.<sup>93</sup> He stated that both he and the State Department had recommended approval of these loans but the bank had stated there was "not sufficient prospect of amortization" to justify the loan. General Marshall assured General Yu that he would investigate the reasons for its being turned down and try to have the loans reconsidered. He commented that this was the first time that the Bank had turned down a recommendation of his. He explained to General Yu Ta-wei that in the past he had had great difficulty in convincing the Bank that it should pass the general loan since they were up against great political pressure and were accountable to Congress for their actions and there was severe condemnation of the Kmt Government corruptions.

General Marshall cited examples of coal shortages to General Yu. He mentioned that this was a specific example of how hard it would be for the Government to eliminate the Communists in a few months. He cited figures from a detailed coal report on the Tientsin-Chinwangtao Railroad, illustrating the effect of Communist sabotage in a supposedly occupied region.

General Yu Ta-wei said he was quite troubled that the Eximbank had turned down the two loans recommended by General Marshall and did not understand the reason given. The two loans had nothing to do with present military campaigns, the Canton-Hankow RR being far to the south and needed to send rice to the Kiangsu area and supplies, such as salt, to the Canton area. The Yellow River Bridge is quite old and cannot stand up for many more years. If it should collapse, there would be no place to cross the Yellow River.

General Marshall explained that it was the character of the Kuomintang Government and the open corruption in it that was the

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<sup>93</sup> For correspondence on this subject, see pp. 911 ff.

trouble, as well as the militaristic policy of the Government. He was investigating the reasons behind the recent refusal of the Exim-bank to grant loans but stated that in the past the National Advisory Council and the Bank had agreed to loan money only to a China that had achieved peace and evident reforms in the Government. In the meantime he believed General Yu should try to obtain from UNRRA some of the minor materials needed for communications, such as ties and rails. General Yu stated that UNRRA had already allocated nearly all of the money it was to expend in China, but that he would send a representative to talk to the UNRRA officials.

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893.00/12-446 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, December 4, 1946—1 p. m.

[Received December 4—8 : 45 a. m.]

2032. During the past week the focus of political interest has, of course, been the National Assembly which finally reached agreement upon the rules of procedure and, having done this, was then presented with the draft of the constitution that had previously been approved by the Executive and Legislative Yuans and had received the endorsement of the Generalissimo. Struggle over the rules of procedure, though superficially appearing to be quibbling over trivia, did, in fact, have substance. The principal argument concerned article 18, which limited the activities of the Assembly to questions directly concerned with the substance of the constitution and the date on which it would become effective. Dissident elements, including non-Kuomintang individuals and right-wing Kuomintang, were opposed to this provision, hoping to use the Assembly for broader legislative purposes. It was finally adopted only when the Generalissimo stated that failure to do so would be followed immediately by his resignation as President of the Government. Much of the rest of the squabbling, though certainly nothing to be proud of and, on several occasions reaching limits where the Generalissimo was forced to use harsh words, should be viewed as part of the learning process of a group of individuals receiving their first lessons in parliamentary procedure.

The draft constitution was formally presented to the Assembly by the Generalissimo. As published it seemed reasonably good document which in general follows the principles laid down by the PCC agreements. In his presentation the Generalissimo stated that with this act he was declaring an end to the period of political tutelage and was returning political power to the people. He added that he considered this the climax of his career and that he no longer had any



political ambitions. All reports which the Embassy has received are unanimous in stating that the Generalissimo made this announcement with genuine emotion and an obvious sincerity. The words in essence do not markedly differ from statements which the Generalissimo has made periodically over a period of years. His promises have demonstrably been more honored in the breach than in the observance and even when implemented have more often than not been made long after the psychological moment had passed. It would therefore be easy, and perhaps logical, on the basis of this record simply to level the charges of hypocrisy. On the other hand experience has taught that the Generalissimo really does mean what he says; that the problem is one of defining what the words mean to him. The Generalissimo is convinced he is a practicing democrat and that that is what he wants for China; but at the same time he identifies China and himself in imperial fashion and his understanding of democracy is severely limited by his background and that of China.

Whether this Assembly and the constitution which it will adopt will in the end prove to be just another sham or whether the Generalissimo will throw his weight behind the abolition of one-party dictatorship and in favor of constitutional government, however limited or imperfect that constitutionalism may be, remains to be seen.

Support for the constitution has been pledged by a large part of the Kuomintang, the Youth Party and a large number of independents. There is a growing revolt against it which is apparently organized by the C-C clique whose objective is to relieve the Executive of responsibility to the legislature and correspondingly to increase powers of the President. The success of this revolt would be an ill omen for the future of constitutionalism since it would simply play into the hands of traditional Chinese authoritarianism, whereas adoption of the draft to which the Generalissimo has publicly pledged himself would encourage development of popular responsibility for the actions of the Government.

STUART

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894A.00/12-446

*The Ambassador in China (Stuart) to the Secretary of State*

No. 311

NANKING, December 4, 1946.

[Received January 7, 1947.]

SIR: I have the honor to enclose a copy and an ozalid of Taipei's despatch no. 25 to the Embassy <sup>94</sup> on the first convocation of the Taiwan People's Political Council. The Embassy considers this despatch to be far more important than its stated subject would at first indicate.

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<sup>94</sup> Not printed.

It contains a comprehensive digest of published accounts of the first sessions of the Council, which in themselves constitute a good criterion of public attitudes toward the present regime and conditions in Taiwan. In addition, interpretive comment on the published material contained in the despatch reflects the careful attention which is being devoted by the Consulate at Taipei to a complex and difficult political situation.

Although there has been widespread criticism of the ineptitude of the present regime in Taiwan, the Embassy considers it a hopeful sign for the future governances of Formosa that the Government's representatives were met in the People's Political Council with "outspoken and forceful criticism from an articulate and intelligent body of local representatives, spokesmen for a public whose general level of education and information is considerably higher than the average for the mainland from which the government officials come. Attempts to limit debate, questioning and criticism and to slur over important but embarrassing problems met with spirited opposition."

On the other hand, however, the despatch points out that there was implicit throughout the Council sessions the present administration's concept of "a Government above the people and not answerable to, nor dependent upon them".

The parallel to similar conditions in China at a time when an effort is being made to institute constitutional government is obvious. In Formosa, however, the overall problems are confined to a smaller area where the levels of government efficiency, education and literacy have been higher for a longer period, and as a result the Chinese administration is faced with a challenge which it must meet without reverting to the antedated methods of the mainland. The ability of the Chinese to meet this challenge for the time being must remain a moot question.

Respectfully yours,

For the Ambassador:  
W. WALTON BUTTERWORTH  
*Minister-Counselor of Embassy*

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Marshall Mission Files, Lot 54-D270

*Memorandum by Mr. Tung Pi-wu to General Marshall*<sup>95</sup>

[NANKING,] 4 December 1946.

MY DEAR GENERAL MARSHALL: General Chou En-lai requests the following message to be delivered to your hands:—

"With the inauguration of the one-party-manipulated National Assembly, the PCC agreements have been utterly destroyed by President

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<sup>95</sup> Received by General Marshall on December 5.

Chiang Kai-shek, and there is short of a basis for the negotiation between the Kuomintang and the Chinese Communist Party. However, with a view to comply with the aspiration of the entire Chinese people for peace and democracy, our party takes the stand that if the Kuomintang would immediately dissolve the illegal National Assembly now in session, and restore the troop positions as of January 13 in accord with the Cease Fire Order, the negotiation between the two parties may still make a fresh start. Request the foregoing be transmitted to President Chiang."

Yours faithfully,

TUNG PI-WU

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Dr. Stuart at No. 5 Ning Hai Road, Nanking, December 5, 1946, 10 a.m.*

Also present: Colonel Underwood

General Marshall showed Dr. Stuart a copy of the letter just received from General Chou En Lai <sup>96</sup> (See Encl 1). General Marshall asked for Dr. Stuart's reaction to the letter. Dr. Stuart said it was unrealistic and that the National Government could not possibly consider the proposals set forth therein. He stated that the letter did not answer General Marshall's specific request for CCP acceptance or rejection of American mediation. He said that the letter indicated to him that the Communist Party apparently did not want further negotiation.

General Marshall asked what course of action should be followed as a result of General Chou's letter. Dr. Stuart recommended supporting the National Government subject to the following three conditions: a) Cessation of hostilities; b) Reformation of the Kuomintang; c) Reorganization of the government with the door left open for Communist participation.

General Marshall doubted that hostilities could be stopped unilaterally since the Government always claims to be fighting in self-defense. Dr. Stuart characterized army reorganization as the heart of the problem and predicted that under General Marshall's guidance demobilization of Government forces would be possible even in the face of an active Communist army. He stated that in his opinion a smaller, well-trained mobile army should meet Government requirements as well as the present large, scattered, poorly organized army. General Marshall referred to the immense Government task of guarding long, vital lines of communication. He stated that this task alone required a large army and he was convinced that he could not achieve any demobilization of Government forces as long as an active, hostile Com-

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<sup>96</sup> *Supra.*



munist force was in the field and as long as the Generalissimo was bent on destruction of the Communist Party. He referred to the Generalissimo's recent prediction that the Communist Party could be wiped out in from eight to ten months. In summary, General Marshall stated that the final disposition of the Communist army must be determined before any appreciable demobilization of Government forces can be accomplished.

General Marshall asked for Dr. Stuart's opinion of the reason for the present Communist stalling tactics. Dr. Stuart felt that the Communists were shooting for total removal of U. S. assistance to the National Government. He felt that the Communists were gambling for high stakes; namely the removal of U. S. aid, followed by Communist success, partly through military effort, chiefly through political effort. He felt that if the Communists saw that the U. S. assistance was not, in fact, going to be removed, the Communists would change their tactics. At any rate, he did not think that Communist tactics would become aggressive in the near future. General Marshall then recounted his many efforts to break the power of the reactionaries in the National Government. He stated that this was the big issue and that the Communist Party had been playing directly into the hands of the reactionaries. Dr. Stuart agreed that the Generalissimo must break once and for all with the reactionaries and he, himself, felt that this was a definite possibility. General Marshall doubted this possibility, particularly since the Generalissimo is convinced that a policy of force is the only practicable solution as he completely distrusts the Communists and their purposes in getting into the government. He stated that whenever the Generalissimo makes a concession, he does so against his own better judgment and that in moments of crisis he is influenced by his reactionary associates.

General Marshall then referred to a conversation which took place at the Russian Embassy the preceding night following a dinner at which he and Mrs. Marshall were the only guests. He stated that the Russian Ambassador asked many searching questions, all bearing on General Marshall's estimate of the situation in China. General Marshall decided to speak frankly in the hope that his words might be repeated beneficially to the Communist delegation. He emphasized the overwhelming Communist suspicion of himself, Dr. Stuart and the National Government; and he showed how this suspicion had defeated American mediation efforts and had played directly into the hands of the reactionary elements of the Kuomintang. He also described his action in recommending to the President his recall when he had failed to halt the advance on Kalgan. He said that the Russian Ambassador was evidently surprised by his frankness and particularly by his comments on the relationship between the Com-

munist suspicion and refusal to negotiate and the purposes of the Kuomintang reactionaries. In parting, General Marshall told the Russian Ambassador that he had given the Ambassador his frank confidence, but that the reverse was not the case. He said the truth of the matter was that he was going down the middle of the road and did not care who knew it. General Marshall commented that he might have made a mistake in speaking so frankly to the Russian Ambassador, but that he regarded it as a risk worth taking. Dr. Stuart considered General Marshall's tactics correct and considered that the Russian Ambassador would probably advise the Communist delegation accordingly.

General Marshall referred again to General Chou's letter. Dr. Stuart reviewed his original analysis and added that the letter was tantamount to Communist acceptance of the Generalissimo's challenge to settle the issue by force. Dr. Stuart suggested that the Generalissimo be told outright that if he persisted in settling the issue by force, United States assistance would be totally withdrawn. Conversely, if he reformed the Kuomintang and broadened the Government on a democratic basis, he could expect continued American aid in military and economic matters. He mentioned, however, that U. S. supervision would be necessary to insure the carrying out of political reforms.

General Marshall remarked that the Generalissimo had already been told emphatically that the U. S. would not back a campaign of force in any way. He asked what new Presidential policy should be announced in the event the Generalissimo follows the reformed course. Dr. Stuart indicated that we should continue essentially the existing policy for the sake of the nation as a whole, hoping that with a new democratic constitution and a reformed and reorganized government, the government of China would become truly more representative of the Chinese people. The policy should underscore the hope that the Communist Party would join in the government for the good of the common people of China. Economic support should consist of technical advisors and such physical assistance as appeared justified at the various stages in the broadening and the reformation of the government. The economic phase of the policy should be restrained but at the same time should hold out hope for China. With regard to military problems, the U. S. should stand pat on original reorganization plans, emphasizing the understanding that retained forces would not be used for civil war. He added that, although visionary, it was essential that the Chinese Army develop through American training and associations a new consciousness of responsibility to protect the people rather than to plunder them. The Army must realize that patriotism consists of protecting the people from within

as well as from foreign foes. General Marshall asked what the Communist Party reaction to such policy would be. Dr. Stuart said the Communists would be surprised and somewhat dismayed; specifically they would see in the policy what they fear most, the strengthening of the political appeal of the National Government.

General Marshall stated that the Communist Party was now practically beyond our reach and had in a sense refused American mediation. Under those conditions he wondered what the Soviet reaction would be to the new policy suggested by Dr. Stuart. Dr. Stuart felt that there would be no Russian interference for several years but that the degree of Russian interference would depend largely upon the character of our statements to the Communist Party leaders.

General Marshall referred to the practical and political difficulties of getting American Government and public acceptance and understanding of a new policy. Dr. Stuart agreed that the new policy would produce many troublesome reactions and that we would have to ride them out, emphasizing that the Communist Party was being given an opportunity either to come into a democratic government or to demonstrate their lack of desire to cooperate. He stated that we would be strengthening a democratic form of government as against a Communist form of government, that we would be exchanging one party tutelage for American tutelage, that any other course would amount to abandoning China. He reiterated his conviction that the Generalissimo could be won away from the reactionaries and held away from them.

General Marshall stated that no new American policy could be recommended until we know the answers to certain questions such as 1) the Communist attitude regarding him personally, 2) the type of constitution adopted by the National Assembly, 3) the method of implementing that constitution, 4) reorganization of the State Council and the Executive Yuan, 5) extent to which or manner in which the door was being left open for future Communist participation.

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Marshall Mission Files, Lot 54-D270

*Notes of Meeting Between General Marshall and General C. P. Lee at No. 5 Ning Hai Road, Nanking, December 5, 1946, 11 a.m.*

Also present: Captain Soong

General Lee referred to the United Press release which stated that the United States Government would not render financial assistance to a China engaged in civil war. General Lee said that this statement would have a beneficial effect on the current Chinese situation. General Marshall retorted that he could not see what was good about it,



since actually the Chinese people would suffer from it instead of the rival political parties. General Marshall pointed out that the Canton-Hankow Railroad, which is not in the disputed area, could not function normally because it could not obtain the necessary assistance from the United States. General Marshall further pointed out that since last April, fighting in various parts of China had blocked all repair of communications; this had created a dilemma for the Chinese people.

General Lee claimed to know Communist psychology very well. He stated that there are two services which he can render General Marshall. First, an informal meeting might be arranged between Mr. Tung Pi-wu, General Marshall and Dr. Stuart through General Marshall's and Doctor Stuart's invitation, with General Lee present. Second, Mr. Mo Teh-hui,<sup>97</sup> Dr. Wu I-fang<sup>98</sup> and General Lee might make a trip to Yen-an to persuade the Communists to resume negotiations. General Lee realized that during the National Assembly sessions, the Government could not ask for resumption of negotiations.

General Marshall then outlined the contents of a letter from Mr. Tung Pi-wu which he had just received. General Marshall asked for General Lee's interpretation of the letter. General Lee stated his belief that Mr. Tung was still anxious for peace. He said the letter represented the inferiority complex of the Communist Party. General Lee stated that the Communists would not seek directly a resumption of negotiations for fear of losing face. General Lee said that there could be two possibilities resulting from the present letter. First, the Yen-an Government might be ready for some definite action such as the calling of the People's Assembly in the liberated areas. Second, the CCP might really want peace. General Lee then suggested that he would call on Mr. Tung Pi-wu personally again and try to determine the Communist attitude. General Marshall agreed to this suggestion. General Marshall concluded by stating that the Communist Party had done practically what the CC clique and the militarists in the Kuomintang wanted them to do since April and that by their actions the CCP had practically defeated General Marshall's mission.

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Marshall Mission Files, Lot 54-D270: Telegram

*Colonel Marshall S. Carter to General Marshall*

[WASHINGTON,] December 6, 1946.

87132. Mister Acheson, Acting Secretary of State, sends the following:

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<sup>97</sup> Member of the Presidium of the Chinese People's Political Council.

<sup>98</sup> President of Ginling College, Nanking.

"In a few weeks a year will have passed since the President's December 1945 statement on China<sup>99</sup> and your appointment as his special representative to that country.<sup>1</sup> I consider that our activities in China have been on the highest order and in complete accordance with our stated policy. However, I have the feeling that the public has not been adequately informed thereon, and that there is a widespread misunderstanding and lack of definitive public knowledge of our overall activities in China during the past year in implementation of the President's statement. This feeling is based somewhat on attacks about the presence of the Marines in China, the surplus property deal, the Navy ship program, the proposed \$5,000,000 loan, etc. Likewise there have been press criticisms of our failure to give more aid to the Nationalists, our failure to lend more money, and our failure actively to assist in the military defeat of the Communists.

It seems to me that a résumé of our major activities during the past year would clarify the matter, making our position clear to the general public and dispelling any doubt as to our accomplishments and intentions. I am having prepared a tentative draft of such a statement reviewing in some detail the developments of the past year, pointing out the reasons why we have done certain things and why we have not done certain things. It seems to me that such a statement at this time would be useful from every standpoint of opinion in this country and also in China.

Prior to taking the matter up with the Secretaries of War and Navy<sup>2</sup> and ultimately the President however, and prior to submitting the draft to you for concurrence, I would like your frank views as to the advisability of such a statement, to include the possible effect such an action might have on your mission. If you feel that it might in any way be detrimental to your efforts, I will of course drop the matter, and not bother transmitting the draft to you."

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Marshall Mission Files, Lot 54-D270

*Notes on Meeting Between General Marshall and General C. P. Lee at No. 5 Ning Hai Road, Nanking, December 7, 1946, 11 a.m.*

Also present: Captain Soong

General Lee told General Marshall that he had called on Mr. Tung Pi-wu yesterday morning. He considered there are two possible approaches to the present situation. One is a meeting between General Marshall and Mr. Tung Pi-wu during which General Marshall would inform Mr. Tung that the message from General Chou En-lai had been transmitted to the Generalissimo. Then, a free discussion of the current situation could follow. The other is for the Generalissimo to retire from public life since he had already done enough for his country. This would definitely improve the overall atmosphere

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<sup>99</sup> December 15, 1945; *United States Relations With China*, p. 607.

<sup>1</sup> See *Foreign Relations*, 1945, vol. VII, pp. 745 ff.

<sup>2</sup> Robert P. Patterson and James Forrestal, respectively.

for negotiations and cause the Communist Party to change its attitude. General Lee also mentioned Governor Chang Chun,<sup>3</sup> Mr. Mo Te-hui and Dr. Sun Fo as possible candidates for the Chief of State.

General Marshall said that notification to Mr. Tung of the transmittal of General Chou's letter to the Generalissimo was unnecessary since both sides had released the letter to the press. General Marshall added, however, that the press might twist things since interpretation recently by the press of the 4,000-word extract of the General Chou minutes was incorrect; the extract of minutes merely contained General Chou's reason for returning to Yen-an. General Marshall then deplored current Communist propaganda which is only serving to crystallize American policy to total support of the Chinese National Government. This propaganda also tends to encourage the reactionary clique and the militarists in the Government, thus making them more and more difficult to handle.

General Lee suggested a counter-propaganda campaign. General Marshall saw no advantage in this course. The basic question was to determine the reasons behind the Communist propaganda. General Marshall then said his chief interest concerned whether the reactionaries were going to wreck the PCC constitution which is now before the National Assembly.

General Lee then said that yesterday he had seen Dr. Lo Lung-chi who expressed the opinion that General Marshall was generally accepted by the Chinese people as their savior when he first came to China. However, later, the Communists believed that General Marshall was partial to the Government and consequently lost faith in his mediation. Dr. Lo felt that if General Marshall had pressed the Kuomintang to agree to a coalition government, the situation today would not be so difficult.

General Lee then commented that the draft constitution now being discussed in the National Assembly is in accordance with the PCC resolutions and that it is a better one than that drafted by Mr. Carson Chang of the Democratic League. General Lee suggested that if the National Assembly would dispatch a delegation to Yen-an, the Communists might be persuaded to resume negotiations.

General Marshall asked General Lee whether the Communists would still trust Dr. Stuart. General Lee stated that in the opinion of the Communists both General Marshall and Dr. Stuart were being sacrificed by the U. S. Government through its China policy. He believed that if General Marshall and Dr. Stuart were to press the Government to accept the Communist terms, meaning a coalition government, the Communists would be willing to reopen negotiations. General Lee then suggested that either a discussion should be held

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<sup>3</sup> Governor of Szechuan.



between General Marshall and Mr. Tung Pi-wu or General Marshall should make a trip to Yen-an.

General Marshall said that he would wait the passage of the Constitution in the National Assembly. He feels that at present the American mediators are in no position to take any steps.

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to the Acting Secretary of State*

[NANKING,] December 8, 1946.

1855. I concur in your view in 87132 concerning the issuance of a résumé of American activities in furtherance of the 15th December 1945 policy statement. My own concern in this matter led to the early preparation and dispatch in sections of my so-called final report.

While this is not the favorable moment for such release, it may be advisable within the next few weeks. The character of the Constitution finally adopted by the National Assembly, the methods used to implement this Constitution, the extent and manner of reorganization of the State Council and the Executive Yuan, and the extent and manner in which the Government provides for future possible Communist participation will all necessarily have a definite effect on the United States position. I feel that any résumé or policy announcement should await these developments but I anticipate that such procedure might well be precipitated by actions out here. Therefore I think you should proceed in the matter, allowing the final decision as to timing to be determined later.

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Marshall Mission Files, Lot 54-D270 : Telegram

*Lieutenant General Alvan C. Gillem, Jr., to Colonel J. Hart Caughey,  
at Nanking*

[PEIPING,] 8 December 1946.

49. Subject is status of Executive Headquarters investigation of the Anping incident as stated in 1847.<sup>4</sup> U.S. Branch participation in the investigation of the Anping incident has been terminated. The U. S. Commissioner accepted a separate U. S. member report dated 8 October 1946<sup>5</sup> and all copies of this report have been retained in U. S. hands. This action has been taken since the effect of the conclusions arrived at by the U. S. member, which proved beyond doubt

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<sup>4</sup> December 6, not printed.

<sup>5</sup> *Ante*, p. 320.

that the Communist Party forces did methodically plan and execute an ambush of an U. S. Marine convoy and did further prove that the Marine convoy was completely unaware of this premeditated danger, if disseminated, would be most undesirable from our standpoint at this critical period. The Communist Party representatives throughout the investigation displayed extremely reluctant attitude in all attempts to establish facts directly related to the incident. From this it is concluded that the Communist Party realized their guilt in this matter and were therefore not interested in ascertaining the true facts. Since the untenable position as outlined above of the Communist Party in this incident is so conclusively proven in the U. S. member's report, publication could seriously jeopardize our relations with the Communist Party. Further, the matter is now considered dormant and no distribution is being made at this time. Therefore, it is planned for the time being to retain the report in the U. S. Branch files for "reference" only. Any subsequent action taken by the U. S. Branch will be dependent upon trend of future negotiations and/or Communist Party propaganda. One copy of above U. S. member report is being dispatched to you via courier Monday 9 December.

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Dr. Stuart at Dr. Stuart's Residence, Nanking, December 9, 1946, 11 a.m.*

Also present: Colonel Caughey

General Marshall opened the meeting by asking Dr. Stuart what his reaction was to Mr. Luce's recent telegraphic message.<sup>6</sup> Dr. Stuart told General Marshall that he was still convinced that General Marshall's mission in China was possible of fulfillment toward the ultimate stability of China. Dr. Stuart stated that his own guess was that nothing would bring the Communists into the picture more quickly than announcing a firm U. S. policy toward China along the lines of the three points which he had previously mentioned; that is, reorganization of the army, technical assistance and technical advice. Dr. Stuart added that the Government, especially the Generalissimo, with all its faults has been moving toward reform within the Government but that the Government needs advice in all sorts of matters, military, political and economic, in order to develop its program. Dr. Stuart added that his chief uncertainty in the above outlined program was how the Communists might react. He felt sure that the Communist Party must realize by this time that their continued separation from the Government would deprive them of things they wanted most.

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<sup>6</sup> December 8, not printed; Henry R. Luce was publisher of *Time*, *Life*, and *Fortune* magazines.

General Marshall told Dr. Stuart that he agreed with his three points but that he was doubtful as to whether the program could be carried out under the existing conditions. With reference to the military reorganization, General Marshall felt that further demobilization on the part of the Government is not to be expected so long as the Communists retain their armies in the field. The question was whether or not a peaceful atmosphere could be obtained in the field in order to permit advancement along political and economic lines.

With reference to technical assistance and advice, General Marshall felt that such assistance should be given and cited as an example the loan which was recently refused to China for development and rehabilitation of the Canton-Hankow Railroad. General Marshall said that General Yu Ta Wei had mentioned this to him and that he told General Yu Ta Wei he would look into the matter but actually he was hopeful that some sort of an acceptable constitution might have been accepted by the Government before he undertook to approach the United States Government urging again a loan for the Canton-Hankow Railroad.

General Marshall stated that limited support to the Government had two drawbacks in that it would give encouragement to the reactionary elements and the military clique in the Government to make it more impossible to reform the Government, break party domination and keep open a way for the Communists to reenter negotiations. General Marshall stated that the proper balance between these two aspects is what concerned him.

General Marshall then stated that Mr. Luce's analysis of the situation as reflected in his cablegram ignored the effect of U. S. assistance to the Chinese Government on the reactionary element of the Government at this time and, in this respect, General Marshall felt that Mr. Luce's viewpoint was shallow, if not completely biased through his (Mr. Luce's) personal attachment to the Generalissimo. General Marshall felt that his (Mr. Luce's) campaign for all out support of the Kuomintang may have the opposite effect than what he (Mr. Luce) was hoping for, though it will be a great encouragement to the reactionaries at this time.

General Marshall then referred to the clipping Dr. Stuart had given him which suggested solving the difficult Chinese problem by introducing Russian mediation. Dr. Stuart stated that if American mediation were successful, it is not likely that the Russians would come in. Dr. Stuart admitted that shortly after his appointment as Ambassador he had thought Russian mediation would help, but that with experience his thought in this respect had become somewhat sobered. General Marshall stated that if the Russians were invited to assist in mediation, the British and the French probably would also



have to be included. He did not know what role any of these three might assume but he was quite sure that the Generalissimo would be extremely angered if confronted with the idea of Russian participation. Dr. Stuart supplemented this statement with the idea that if the Russians were involved in the mediations, neither the United States nor China would know what to expect.

General Marshall then informed Dr. Stuart that he had received a message from Mr. Acheson in which Mr. Acheson suggested the advisability of issuing a statement on a high level in the U. S. which would be designed to clarify the atmosphere with reference to U. S. aid to China. Mr. Acheson said, of course, that he would not publish such a statement without clearance from General Marshall. General Marshall told Dr. Stuart that he was in favor of Mr. Acheson's having such a statement prepared by the State, War, Navy Coordinating Committee with the understanding that the decision as to timing would be taken later.

Dr. Stuart stated that he did not understand the Communists, he was confused by their apparent adverse technical treatment of procedures throughout the negotiations and the new impossible demands which they had just submitted. Dr. Stuart said he thought that this attitude was indicative of something deeper and more far-reaching than appeared on the surface. Dr. Stuart then stated that if a positive policy were announced by the U. S. that it might test the Communists out. He then added that if some sort of territorial agreement could be reached between the Government and the Communists that negotiations could be commenced again. General Marshall supported Dr. Stuart's view but added that as soon as the territorial division were struck up it would bring up the question of the two north and south railroads in north China which would be extremely difficult to handle. He stated that the Government could not be expected not to try to open at least one of the railroads and this action would create new complications. General Marshall added however that if some sort of an arrangement whereby the Communists could retain their positions and also retain control over local governments and, at the same time, agree to not molest railroad operations, that this might constitute a new beginning for negotiations. General Marshall stated that he would like Dr. Stuart to sound out Mr. Wang Ping Nan on this subject in his next contact with Mr. Wang. To this Dr. Stuart agreed.

Dr. Stuart stated that there was one more thing that he would like to discuss with General Marshall. Dr. Stuart said that the Generalissimo was still awaiting a definite reply from him to his (the Generalissimo's) recent proposal to Dr. Stuart concerning the Government's desire to obtain the services of General Marshall as

an advisor. General Marshall stated that he was quite satisfied with Dr. Stuart's reply to the Generalissimo's query on this matter (i. e. that Dr. Stuart did not think General Marshall would consider such a position in view of a condition of civil war) and added that probably the best answer now is a definite "No". General Marshall elaborated on his viewpoint by stating that it is unreasonable to expect that his services as an advisor to the National Government could materially promote a beneficial reaction within the Government when he as a mediator was unable to influence the Government with full backing from the United States Government.

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Dr. Wei Tao-ming<sup>7</sup> at No. 5 Ning Hai Road, Nanking, December 9, 1946, 5 p. m.*

Also present: Colonel Underwood

Dr. Wei referred to Mrs. Marshall's departure and said that the General's own departure was rumored. General Marshall stated that he had no departure plans and that such rumors were getting to be a weekly occurrence. He said the real question was whether or not there was anything that he could do to improve the situation in China. He was watching the National Assembly and the framing of the Constitution. He felt that if a good, sound, democratic constitution were passed, some hope for peaceful settlement might result. If not, the military clique in the Government would probably be given a free hand to attempt extermination of the Communist Party through force. General Marshall was convinced that the military clique had over-estimated the Government's capabilities and that a final all-out campaign would be overtaken by financial chaos.

Dr. Wei stated that in his opinion the Constitution would be passed by the National Assembly with very few changes and that these changes would not vitiate the Constitution. In this event, he wondered if negotiations could be resumed.

General Marshall stated that adoption of a democratic constitution was not of itself sufficient cause for renewal of negotiations. If, however, the passing of the constitution was followed by reorganization of the State Council and Executive Yuan, with seats left open for the Communist Party, and by concrete measures to enforce the constitution, there would then be a fair chance for negotiations. If these steps were taken, the Government would have done what the Communist Party has been demanding. The National Government would then be in a strong position, and the Communist Party would

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<sup>7</sup> Vice President of the Legislative Yuan.

have little ground for resisting negotiations. However, during the period of reorganization and enforcement of the Constitution, it would be imperative that the Government refrain from fighting, including that based upon the pretext of self-defense. The cessation of hostilities during this period would be the greatest problem of all.

General Marshall stated frankly that he was pleasantly surprised at the behavior of the National Assembly. However he had been optimistic before and was reserving final judgment on the National Assembly until he could see the shape of its final actions. He was simply waiting and watching.

General Marshall stated that democracy probably could be made to work in China if there existed both a free press and an active, unrestricted opposition party. He referred to the deplorable economic situation confronting China. He commented on the vicious inflation which, combined with the low salary of public officials, caused widespread corruption to the detriment of the Government, both as a servant of the people and in the eyes of the world. He stated that economic recovery was blocked by the military stalemate along the railroads of north China. He was sure that the Communist Party was aware of the economic peril of the Government and was planning accordingly. Although the National Government felt that economic collapse was at least two years away, he considered it a definite possibility in a matter of months. He cited the inability of the National Government to keep the Tientsin-Chinwangtao railroad operating as proof that the Government could never attain a total military victory over the Communists.

He stated that a pro-National Government publicity campaign fostered by Mr. Luce and Mr. Roy Howard<sup>8</sup> was building up in the United States, and that a counter campaign critical of corruption in the Government and its domination by reactionaries would be initiated. He said that these publicity campaigns would make the situation in China even more difficult to solve by exposing a lot of dirt to the disadvantage of both sides. These campaigns emphasized the necessity of honest, faithful action by the National Assembly. It would be a serious error if the reactionaries crippled the Constitution now before the National Assembly on the hope of aid from the United States as a result of the Luce-Howard publicity campaign.

General Marshall said that the United States was dead set against a policy condoning the civil war in China. He stated that public opinion in the United States was affected by corruption within the Kuomintang more than by fear of Communist ideology. He thought that the existence of the Communist Party as a legal opposition party would force greatly needed reforms within the Kuomintang. If these

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<sup>8</sup> President and editor of Scripps-Howard newspapers.



reforms were actually made, the Kuomintang would be a much stronger party and would probably attract liberals.

He stated that Dr. Stuart had recently suggested that a new beginning for negotiations might be made in a limited way along the two major north and south railroads in north China. This beginning would consist of Communist agreement to allow trains to operate unrestricted in their areas and, at the same time, Government agreement not to interfere with local governments in the Communist areas along the railroad lines. Such a beginning could only be attempted after the Government had taken the preliminary steps mentioned by General Marshall earlier.

Dr. Wei stated that he had been optimistic earlier this year over the possibility of peaceful settlement. However, when he viewed the situation in China in the light of the prevailing world situation, he no longer could find justification for such optimism. The United States wants a strong, united China, but the United States cannot force the Chinese Communist Party to take part in the Government. Only Russia was capable of achieving this, but she would not exert her influence since her ultimate objective was overthrow of the Government of China. He did not see how General Marshall could succeed in China, if Mr. Byrnes could not succeed in Europe, particularly when they were both fighting Soviet influence. He hoped he was wrong but he feared that he was right. General Marshall agreed that the Russian attitude and intentions did not help the situation in China. He then added that reactionary elements in the Government had been operating on the belief that the United States would have to support China because of fear of Russia. This was a serious error and the United States was not going to be dragged through the mud by these reactionaries.

He commented on the change in Communist attitude between March and October of this year. In March, the National Government doubted the Communist sincerity because of the Russian angle. The Government was convinced that the Communist Party members were servants of Russia and would not adhere to any agreements. Now, however, the reverse is true. The Communist Party is completely convinced that the National Government does not intend to keep any agreements and it hardly appears possible to alter the Communist conviction.

Since the trouble in Manchuria in the spring of '45 [1946], Russia has been standing off, keeping clear of the situation, apparently so that at a propitious moment in the future she can make a clear case for herself in the Far East.

General Marshall then summarized his belief that negotiations might be resumed if a sound democratic constitution were passed, the

State Council and Executive Yuan reorganized, the door left open for Communist participation in the Government, and effective measures taken to enforce the Constitution.

Dr. Wei stated that he believed Russia would not interfere in Manchuria in the near future. He expected trouble from Russia to manifest itself first in Sinkiang Province. General Marshall referred to General Chang Chih-chung's <sup>9</sup> need for all types of supplies. He also commented on the Russian medical program in Sinkiang which was winning many friends for Russia.

Dr. Wei thanked General Marshall for his statements and hoped that a way would be found to revive China.

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893.00/12-946 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, December 9, 1946.

[Received December 10—12:30 a. m.]

2071. On December 7, Nanking Communist spokesman made statement to press that Communist Party will fight on the political front and, if necessary, on the battle fields for a coalition government but has no intention of overthrowing the present Government of China either by political or military means nor would they ever attack Nanking, even if they succeeded in closing in on it.

STUART

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Marshall Mission Files, Lot 54-D270

*Memorandum by Brigadier General Thomas S. Timberman<sup>10</sup> to Colonel J. Hart Caughey, at Nanking*

PEIPING, 10 December 1946.

1. The increasing inactivity of Executive Headquarters in the last two months has created many practical problems in Executive Headquarters, particularly in the United States Branch. Efforts of the United States Branch to solve these problems have aimed to maintain Executive Headquarters as an active agency in order to preserve a working organization to implement whatever agreements might be reached by the Committee of Three.

2. However, in addition to the above considerations which have guided the day to day operations of Executive Headquarters staff, it has been necessary from the practical view point of the Director of

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<sup>9</sup> Governor of Sinkiang.

<sup>10</sup> Director of Operations, Executive Headquarters at Peiping.

Operations to attempt an evaluation of some of the broader aspects. It has been deemed essential to develop an estimate of the situation, even on the basis of a limited outlook, in order to be prepared, mentally at least, for any major eventuality. The dangers of this approach have been thoroughly appreciated and exploratory thoughts set out herein are those of myself and my personal staff alone.

3. The attitude of both major Chinese factions has a direct bearing on the long range problem. However, the intentions of the Communist Party appear to be the controlling element at the moment. An accurate assessment of their intentions and objectives is difficult because of their wide spread use of propaganda, which can be and has been turned on or off and reoriented almost at will without full regard for the truth. Nevertheless, press and observer reports and statements and attitudes of principal C. P. negotiators, have fallen into a general pattern which, in my opinion, supports the following hypothesis:

*a.* The objective of the CCP is complete domination of China, substituting CCP one party rule for that of present Kuomintang.

*b.* At the moment the CCP is hedging its position against all out N. G. punitive measures and at the same time realigning its own strategy. At this point the CCP high command believes that it must retain its military force, place the CCP in position to secure maximum Soviet support and still maintain the means for a political penetration of the Chinese Government. In this interim period they are uncertain whether continued long term participation in peace negotiations will best serve their ends so they are prepared to jump either way.

*c.* The physical isolation of the Shensi stronghold from other CCP areas in China, and from physical contact with the Soviets, dictates against its retention as the CCP capital. As a cover for their objective the CCP are believed to have publicized an impending N. G. attack on Yen-an which may be based on more or less sound intelligence. Whether such attack develops or not the stage has been set for a shift of the CCP center of gravity to the North East.

*d.* Northern Manchuria offers the advantages of physical proximity to the Soviets and the location of considerable numbers of CCP troops. Contacts with many of the CCP areas of North China will be but little more difficult from Manchuria than from Shensi. The advantages of a shift of their center of influence to Manchuria are greater than the advantages accruing to the CCP by remaining in their present location.

*e.* Meanwhile CCP military forces in all areas which they now hold in China proper can continue to harass N. G. areas and lines of communications.

*f.* At the same time CP political forces in China proper will attempt to increase their influence with the people to the detriment of the Kuomintang by propaganda, by fomenting disorders in N. G. areas, and by instituting a modicum of local reform in immediate areas of CCP control.



g. Concurrently, efforts will be continued to gain a foothold in the Chinese Government. Initially this may be by continued token negotiation on the part of a few front men ostensibly controlled from Yen-an Headquarters (or other center in the Shensi area) which will be retained as a facade.

h. If CCP interim efforts in China proper prove successful or if the Kuomintang Government begins to crumble from its own corruption, the avenue will be open for increased CP emphasis on China proper.

i. If, however, the Kuomintang extends its power through a throttle hold on the country's economy and by virtue of increased foreign support (material and/or moral), or even by the outside chance of self imposed reform, the CCP will have prepared their own sphere of influence in Northern Manchuria in which to maintain themselves for the long haul.

j. The CCP undoubtedly realize the benefits that have accrued to them as a result of U. S. participation in negotiations over the past year despite CCP propaganda to the contrary. The CCP will continue to take every advantage of U. S. assistance.

4. The part which the U. S. Branch of Executive Headquarters should continue to play in this picture, of course, will be dictated by over-all U. S. policy in which it is believed the actions and recommendations of General Marshall will play a large part. It has been anticipated that he may ask for a recommendation from the U. S. Branch staff of Executive Headquarters as to the role that that organization should continue to play in the future. To reach such a recommendation it has been necessary to attempt an evaluation of factors beyond the immediate scope of Executive Headquarters in an effort to determine with what conditions we may be faced. In this process there have emerged three general alternatives open to the U. S. in China:

a. Continue our mediation efforts to bring peace to China through tripartite negotiation on present basis.

b. Throw full support to the present government.

c. Withdraw all support and mediation assistance from China and resume assistance in Chinese affairs only on a completely new and realistic basis.

5. The optimum solution is not found in any one of these courses specifically, but rather in a combination of the three, along the following lines:

As the first step both Chinese factions should be given an opportunity to resume sincere negotiation. Failing their acceptance of this opportunity, announcement should be made of immediate withdrawal of U. S. assistance. Only in this way is there believed to be an outside chance of inducing the CCP to resume negotiation in a sincere spirit. If neither Chinese side agrees to reopen negotiations the U. S. must, of course, withdraw and can do so in the knowledge that internal conditions in China will be no worse in that event than

they would be if present ineffective negotiations are continued. If both Chinese sides accept the ultimatum, proof of their sincerity must be given promptly and unequivocally by their agreement to abide by conditions dictated by the U. S. Any subsequent show of insincerity by either side would be the signal for prompt U. S. withdrawal.

In the unlikely case that the CCP should accept the U. S. ultimatum and the N. G. reject it, it seems likely that sufficient pressure could be put on the N. G. to secure their acceptance also. If not, however, the U. S. should withdraw. In the more probable case that only the N. G. accepts the U. S. ultimatum, a counter offer by the U. S. to the Chinese N. G. might be in order setting forth the strict conditions under which U. S. aid would be furnished to China. Rejection of this counter offer should be followed promptly by an immediate U. S. withdrawal.

In the event that withdrawal becomes the only alternative, removal of every form of U. S. assistance to China must be made abruptly so that the impact will be felt. Without a sharp impact it is unlikely that the expression of desire for resumption of U. S. assistance will be sufficient to effect it on a realistic and therefore workable basis.

6. Based on uncertain indications of the generally unreliable press it is believed that initial steps along the above lines already have been taken and that the major uncertainties at the present time involve timing rather than the direction of subsequent moves.

7. Assuming that the above estimate of the situation is substantially correct, and based on a limited appreciation of the major factors involved, it is recommended that General Marshall's withdrawal from mediation should be announced as a final act possibly from Washington. Moreover, termination of U. S. participation in Executive Headquarters should be announced concurrently or in close sequence in order to preclude unfavorable press speculation and the appearance that the U. S. Branch withdrew under pressure, rather than on the basis of a lack of desire for cooperation which has been demonstrated by the two Chinese factions. The physical withdrawal of U. S. personnel from China under these circumstances will, it is estimated, require up to 60 days. It is believed that personnel can be phased out in such a way during this period that if the Chinese Government extends an invitation for continued U. S. assistance in rehabilitating the country through inter-governmental cooperation rather than by internal mediation, a skeleton organization will be present to assist in performing this task.

T. S. TIMBERMAN

893.00/12-1146 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, December 11, 1946.

[Received December 11—6:20 a. m.]

2083. Summary. Special Ministry [of] Information press conference December 9th:

George Yeh, Foreign Office spokesman, confirmed Chinese press reports Government plans to send official emissary to Yen-an to discuss resumption peace talks "under consideration." No decision made on who will represent Government. Pressed further by correspondents, Yeh insisted final decision to send emissary not been made.

(Chinese press reports indicate Chang Chun, Foreign Minister Wang Shih Chieh and Shao Li Tze <sup>11</sup> under consideration as Government delegate.)

STUART

Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter to General Marshall*

[WASHINGTON,] 11 December 1946.

87444. Reur 1855. The following message is transmitted to you at the request of Acting Secretary of State Dean Acheson:

"We are pleased that you have indicated in 1855 your concurrence in the idea of issuing a statement on China. The proposed statement is being sent to you separately.<sup>12</sup>

The views you express have been carefully noted. You are no doubt aware of an increasing tendency here to lose patience with the Chinese who so far have failed to follow your good and impartial advice. There is of course a concurrent desire from Right and Left for a restatement of policy toward China, the extremists on one side calling for all-out support of Chiang and those on the other side advocating a complete withdrawal of support. There is also a widely expressed feeling among impartial observers that they have not been kept fully informed of our actions in China. We have, as you know, from time to time issued statements on separate subjects such as the surplus deal and Marines in China but we have never put the picture together as a whole. It was with the idea of doing so, and because we thought there was a certain urgency in the matter, that we prepared the statement being sent to you. It was not done with the idea, as you will see, of giving a full report and interpretation of your mission, and we have therefore purposely not utilized your 'final report'. As a matter of fact, it is our feeling that a full release

<sup>11</sup> Secretary General of the Chinese People's Political Council.

<sup>12</sup> *Infra*.



based on your report could be made at the appropriate time in addition to the statement we have in mind.

With the foregoing considerations in mind, I wonder whether, after you read the proposed statement, you will still feel that its release should be delayed for the reasons set forth in the second paragraph of your 1855. I ask this question because of our belief that a statement should be made as soon as practicable; that is, as soon as you think that its issuance will not interfere with your mission.

We would welcome whatever additions or deletions you believe desirable in our draft statement."

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter to General Marshall*

[WASHINGTON,] 11 December 1946.

87476. Reur 1855. This is proposed draft statement on China, as prepared by Department of State and approved by Mister Acheson: <sup>13</sup>

[1.] "A year ago today I made a statement of this Government's views regarding China. We believed then and do now that a united and democratic China is of the utmost importance to world peace, that a broadening of the base of the National Government to make it representative of the Chinese people will further China's progress toward this goal, and that China has a clear responsibility to the other United Nations to eliminate armed conflict within its territory as constituting a threat to world stability and peace. It was made clear at Moscow last year that these views are shared by our Allies, Great Britain and the Soviet Union. On December 27, Mister Byrnes, Mister Molotov and Mister Bevin issued a statement which said, in part: 'The Three Foreign Secretaries exchanged views with regard to the situation in China. They were in agreement as to the need for a unified and democratic China under the National Government, for broad participation by democratic elements in all branches of the National Government, and for a cessation of civil strife. They reaffirmed their adherence to the policy of non-interference in the internal affairs of China.'

[2.] The policies of this Government were also made clear in my statement of last December. We recognized the National Government of the Republic of China as the legal Government. We undertook to assist the Chinese Government in reoccupation of liberated areas and in disarming and repatriating the Japanese invaders. And finally, as China moved toward peace and unity along the lines mentioned, we were prepared to assist the Chinese economically and in other ways.

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<sup>13</sup> Bracketed numbering of paragraphs is by editors for purpose of reference.

[3.] I asked General Marshall to go to China as my representative. We had agreed upon my statement of the United States Government's views and policies regarding China as his directive. He knew full well in undertaking the mission that halting civil strife, broadening the base of the Chinese Government and bringing about a united, democratic China were tasks for the Chinese themselves. He went as a Great American to make his outstanding abilities and the appropriate assistance of this Government available to the Chinese.

[4.] On his arrival in December, General Marshall faced a complex situation. The United States had made a number of commitments to the Chinese Government during and upon the termination of hostilities with Japan. The training and equipment of a certain number of Chinese Divisions had commenced during the war. The training ended on V-J Day. Equipment for the divisions had been promised. Transfer of the equipment had been virtually completed when General Marshall arrived.

[5.] The United States, the United Kingdom and the Union of Soviet Socialist Republics had committed themselves to the liberation of China, including the return of Manchuria to Chinese control. Our Government had agreed to assist the Chinese Government in the reoccupation of areas liberated from the Japanese. American sea and air facilities were furnished to move Chinese Armies to areas held by the Japanese. Four were moved by air and eleven by sea, to Central China, Formosa, North China and Manchuria. Most of these moves had been made or started when General Marshall arrived.

[6.] The disarming and evacuation of Japanese progressed slowly—too slowly. We regarded our commitment to assist the Chinese in this program as of overwhelming importance to the future peace of China and the whole Far East. Surrendered but undefeated Japanese soldiers and hordes of administrators, technicians and Japanese merchants, totalling about 3 million persons, had to be removed under the most difficult conditions. At the request of the Chinese Government we had retained a considerable number of American troops in China, and in September we landed a corps of Marines in North China. The principal task of these forces was to assist in the evacuation of Japanese. Only some 200,000 had been returned to Japan by the time General Marshall arrived.

[7.] General Marshall also faced a most unpropitious internal situation on his arrival in China. Communications throughout the country were badly disrupted, due to destruction during the war and to the civil conflicts which had broken out since. This disruption was preventing the restoration of Chinese economy, the distribution of relief supplies, and was rendering the evacuation of Japanese a slow and

difficult process. The war-time destruction of factories and plants, the war-induced inflation in China, the Japanese action in shutting down the economy of occupied China immediately after V-J Day, and finally this disruption of communications combined to paralyze the economic life of the country, spreading untold hardship to millions, robbing the victory over the Japanese of significance to most Chinese and seriously aggravating all the tensions and discontents that existed in China.

[8.] Progress toward solution of China's internal difficulties by the Chinese themselves was essential to the rapid and effective completion of most of the programs in which we had already pledged our assistance to the Chinese Government. General Marshall's experience and wisdom were available to the Chinese in their efforts to reach such solutions.

[9.] Events moved rapidly upon General Marshall's arrival. With both sides availing themselves of General Marshall's impartial advice, agreement for a country-wide truce was reached and announced on January 10. A feature of this agreement was the establishment of a unique organization, the Executive Headquarters in Peiping. It was realized that due to poor communications and the exacerbation of feelings on local fronts, generalized orders to cease fire and withdraw might have little chance of being carried out unless some authoritative executive agency, trusted by both sides, could function in any local situation.

[10.] The Hdqrs functioned under the leadership of three Commissioners—one American who served as chairman, one Chinese Government representative, and one representative of the Chinese Communist Party. Mister Walter S. Robertson, Chargé d'Affaires of the American Embassy in China, served as chairman until his return to this country in the fall. In order to carry out its function in the field, Executive Headquarters formed a large number of truce teams, each headed by one American officer, one Chinese Government Officer, and one Chinese Communist Officer. They proceeded to all danger spots where fighting was going on or seemed impending and saw to the implementation of the truce terms. The degree of cooperation attained between Government and Communist officers in the Headquarters and on the truce teams was a welcome proof that despite two decades of fighting, these two Chinese groups could work together.

[11.] Events moved forward with equal promise on the political front. On January 10, the Political Consultative Conference began its sessions with representatives of the Kuomintang or Government Party, the Communist Party and several minor political parties participating. Within 3 weeks of direct discussion these groups had come to a series of statesman-like agreements on outstanding political



and military problems. While General Marshall's advice was often sought, the achievement was Chinese. The agreements provided for an interim Government of a coalition type with representation of all parties, for revision of the draft constitution along democratic lines prior to its discussion and adoption by a National Assembly, and for reduction of the Government and Communist armies and their eventual amalgamation into a small modernized truly national army responsible to a civilian government. The provisions of these agreements are the best chart thus far drawn for a united and democratic China.

[12.] In March, General Marshall returned to this country. He reported on the important step the Chinese had made toward peace and unity in arriving at these agreements. He also pointed out that these agreements could not be satisfactorily implemented and given substance unless China[']s economic disintegration were checked and particularly unless the transportation system could be put in working order. Political unity could not be built on economic chaos. This Government had already authorized certain minor credits to the Chinese Government in an effort to meet emergency rehabilitation needs, as it was doing for other war-devastated countries throughout the world. A total of approximately 66 million dollars was involved in 6 specific projects, chiefly for the purchase of raw cotton, and for ships and railroad repair material. But these emergency measures were inadequate. Following the important forward step made by the Chinese in the agreements as reported by General Marshall, the Export-Import Bank earmarked a total of 500 million dollars for possible additional credits on a project-by-project basis to Chinese Government agencies and private enterprises. Agreement to extend actual credits for such projects would obviously have to be based upon this Government's policy as announced December 15, 1945. So far, this 500 million dollars remains earmarked, but unexpended.

[13.] While comprehensive large-scale aid has been delayed this Government has completed its war-time Lend-Lease commitments to China. Lend-lease assistance was extended to China to assist her in fighting the Japanese, and later to fulfill our promise to assist in reoccupying the country from the Japanese. Assistance took the form of goods and equipment and of services. Almost half the total made available to China consisted in services, such as those involved in air and water transportation of troops. According to the latest figures reported, lend-lease assistance to China up to V-J Day totalled approximately 870 million dollars. From V-J Day to the end of Feb., a few weeks after General Marshall's arrival, the total was approximately 602 million dollars mostly in transportation. Thereafter the program of assistance had been reduced to the fulfillment

of minor commitments entered into prior to June 30, 1946. All services since that date are on a reimbursable basis.

[14.] A considerable quantity of civilian goods has also been made available by our agreement with China for the disposal of surplus property which enabled us to liquidate a sizable indebtedness and to dispose of large quantities of surplus material. During the war the Chinese Government furnished Chinese currency to the United States Army for use in building its installations, feeding the troops, and other expenses. By the end of the war this indebtedness amounted to something like 150 billion Chinese dollars. Progressive currency inflation in China rendered it impossible to determine the exact value of the sum in US currency.

[15.] China agreed to buy all surplus property owned by the United States in China, including many abandoned army installations, and on 17 Pacific islands and bases with certain exceptions. Aircraft, all non-demilitarized combat material, ships and maritime equipment and fixed installations outside China were excluded. Thus, no weapons which could be used in fighting a civil war were made available through this agreement.

[16.] As the civilian-use goods can be shipped to China from the Pacific Islands, it is hoped they will help relieve the tremendous shortages that still exist. In return, the Chinese Government cancelled all but 30 million US dollars of our indebtedness for the Chinese currency, and promised to make available the equivalent of 35 million US dollars for use in paying United States governmental expenses in China and acquiring and improving buildings and properties for our diplomatic and consular establishments. An additional sum of 20 million US dollars is also designated for the fulfillment of a cultural and educational program.

[17.] Before General Marshall arrived in China for the second time, in April, there was evidence that the truce agreement was being disregarded. The sincere and unflagging efforts of Executive Headquarters and its truce teams have succeeded in many instances in preventing or ending local engagements and thus saved thousands of lives. But fresh outbreaks of civil strife continued to occur.

[18.] A change in the course of events in the political field was equally disappointing. Negotiations between the Government and the Communists have been resumed again and again, but they have as often broken down. Although hope for final success has never disappeared completely, the agreements made in Jan and Feb have not been implemented, and the various Chinese groups have not since that time been able to achieve again the degree of agreement reached at the Political Consultative Conference.

[19.] There has been encouraging progress in other fields, particularly the elimination of Japanese from China. The Chinese Government was responsible for the disarmament of all Japanese military personnel, and for the repatriation of all Japanese civilian and military personnel from China, Formosa and French Indo China north of the 16th degree of latitude. Our Government agreed to assist the Chinese in this task. The scope of the job was tremendous. There were about 3 million Japanese, nearly one-half of them army or navy personnel in the area. Water and rail transportation had been destroyed or was immobilized. Port facilities were badly damaged and overcrowded with relief and other supplies. The Japanese had to be disarmed, concentrated and then transported to the nearest available port. In some instances this involved long distances. At the ports they had to be individually searched and put through a health inspection. All had to be inoculated. Segregation camps had to be established at the ports to cope with the incidence of epidemic diseases such as Asiatic cholera. Finally, 3 million persons had to be moved by ship to Japan.

[20.] American Forces helped in the disarmament of Japanese units. Executive Headquarters and its truce teams were able to make the complicated arrangements necessary to transfer Japanese across lines and through areas involved in civil conflict on their way to ports of embarkation. American units also participated in the necessary inspections at the ports, while American medical units supervised all inoculation and other medical work. Finally, American and Japanese ships under the control of General MacArthur in Japan, and a number of United States Navy ships under the Seventh Fleet transported this enormous number of people to reception ports in Japan.

[21.] At the end of last year, approximately 200,000 Japanese had been repatriated. They were leaving Chinese ports at a rate of about 2,500 a day. By March of this year, rapidly increased efforts on the part of the American Forces and the Chinese authorities involved had increased this rate to more than 20,000 a day. By the last of Oct, 2,980,361 Japanese had been evacuated and the program was considered completed. Only war criminals and technicians retained on an emergency basis by the Chinese Government remain. That this tremendous undertaking has been accomplished despite conflict, disrupted communications and other difficulties will remain an outstanding example of successful American-Chinese cooperation toward a common goal.

[22.] Much has been said of the presence of United States Armed Forces in China during the past year. Last fall these forces were relatively large. They had to be. No one could prophesy in advance how well the Japanese Forces in China would observe the sur-



render terms. We had to provide forces adequate to assist the Chinese in the event of trouble. When it became obvious that the armed Japanese would not be a problem beyond the capabilities of the Chinese armies to handle, re-deployment was begun at once. At peak strength last year we had some 113,000 soldiers, sailors and marines in China. This number has been reduced as fast as their responsibilities would permit.

[23.] The chief responsibility of our forces was that of assisting in evacuation of Japanese. This task was prolonged by local circumstances. Provision of American personnel for the Executive Headquarters and its truce teams has required a fairly large number of men, particularly since the all-important network of radio and other communications was provided entirely by the United States. The Executive Headquarters is located in Peiping, a hundred miles from the sea and in an area where there was the possibility of local fighting. Hence, another responsibility was to protect the line of supply to and from Headquarters. Another duty our forces undertook was to provide the necessary protection so that coal from the great mines northeast of Tientsin could reach the sea for shipment to Shanghai and other cities in Central China. The coal was essential to prevent the collapse of these vital industrial centers. However, our Marines relinquished responsibility for this protection work as soon as the Chinese Government could provide armies to take over. Other units of our forces were engaged in searching for the bodies or graves of American soldiers who had died fighting the Japanese in China. Still others were required to guard United States installations and stores of equipment, and to process these for return to this country or sale as surplus property.

[24.] Except for maintenance and support of Executive Headquarters in Peiping, these tasks have been all but completed, and in consequence about 85% of the United States Forces in China have been brought back to this country. There are about 16,000 men of our Armed Forces in China. The Army provides the American complement of officers and men for Executive Headquarters and for incidental duties. The Marines remain in North China to supply Executive Headquarters, to protect it, and to guard its line of communications to the sea.

[25.] Thus, during the past year we have successfully assisted in the repatriation of the Japanese and have subsequently been able to bring most of our own troops home. We have afforded appropriate assistance in the reoccupation of the country from the Japanese. We have undertaken some emergency measures of economic assistance to prevent the collapse of China's economy and have liquidated our own war-time financial account with China.

[26.] It is a matter of deep regret that China has not yet been able to set a course toward unity by peaceful methods. Because he knows how serious the problem is, and how important it is to reach a solution, General Marshall is remaining in China. Also, we are ready to help China economically as she moves toward peace and unity. However, until there is a marked improvement over the present situation, it would be manifestly unsound to make any substantial investment of our public funds in China.

[27.] The views expressed a year ago by this Government are valid today. The plan for political and military unification endorsed by General Marshall is feasible and sound. But China is a sovereign nation. We recognize that fact and we recognize the National Government of China. The decisions are for it to make. We continue to hope that the Government will find a peaceful solution.

[28.] We are pledged not to interfere in the internal affairs of China. Our position is clear. We will stay out of any involvement in China's civil strife, but we will stay with the problem of furthering peace, unity and economic recovery in China. We do not intend 'to wash our hands' of the problem.

[29.] As ways and means are presented for constructive aid to China, we will give them careful and sympathetic consideration. An example of such aid is the recent Agricultural Mission to China under Dean Hutchison of the University of California.<sup>14</sup> A Joint Chinese-American Agricultural Collaboration Commission was formed which included the Hutchison Mission. It spent over 4 months studying rural problems. Its recommendations are now available to the Chinese Government, and so also is any feasible aid we can give in implementing those recommendations. We are prepared to consider aid in carrying out other projects, unrelated to civil strife, which would encourage economic reconstruction and reform in China and which, in so doing, would promote a general revival of commercial relations between American and Chinese businessmen.

[30.] In short, we shall pursue a positive and realistic policy toward China with full regard for the sovereignty of China, for international peace, and for our legitimate American interests."

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893.00/12-1246 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, December 12, 1946.

[Received December 11—11:55 a. m.]

2089. At weekly memorial service address on December 9, Generalissimo reaffirmed Government's intention to work for a political

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<sup>14</sup> See pp. 1268 ff.

settlement rather than settle Nationalist-Communist issues on battlefield. He is reported to have added that General Chou En Lai's two conditions—dissolution of the National Assembly and restoration of troop positions as of January 13—for the reopening of negotiations were unacceptable. He also added, "The Government has not yet closed the door to peace. It is the unchanged policy of the Government to settle internal disputes by political means." He said Government was waiting for Communist Party to give indication of their intention to take part in peace negotiations and in negotiations for reorganization of Government. Also reported as saying that Communist telegram to General Marshall "did not answer General Marshall's telegram". The Communist Party said Generalissimo made two demands. He pointed out that the National Assembly had been convened for more than 3 weeks and seats were still being reserved for the Chinese Communist Party.

STUART

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Marshall Mission Files, Lot 54-D270

*Notes on Meeting Between General Marshall and General C. P. Lee at  
No. 5 Ning Hai Road, Nanking, December 12, 1946, 11 a. m.*

Also present: Captain Soong

General Lee told General Marshall of a newspaper report that either Dr. Stuart or General Marshall would accompany the two Government delegates to Yen-an. General Marshall stated that the story was fabricated rumor. General Lee said that he understood that the Communists' opinion regarding the two conditions which General Chou En Lai had forwarded to the Government was as follows: 1) They believed that the policies of the U. S. and the British Government were to deal with Europe first, then the Near East, and lastly China. When they became ready to deal with China, Russia would also come into the picture. Then the Chinese Communists would expect to have a better chance. 2) The Communists felt that an economic collapse of the Government was inevitable; therefore the longer they waited, the better their chances would be. General Lee asked what General Marshall thought of the step taken by the Government in proposing to send two delegates to Yen-an.

General Marshall stated that he did not think the Government would send any delegate to Yen-an at this time because there was too much yet to do here. General Marshall felt that the report about the trip was made by the Government simply to test the Communists' reaction. General Marshall commented that the Communist Party formerly wanted to stop the fighting, but now it seemed that either



their conditions had to be met or they would rather fight. It would be a serious error if the Communists felt that they had maneuvered the Government into a weak position. The procedure the Communists are adopting today actually greatly pleases the reactionary political clique and the militarists in the Government.

General Lee then said the Chinese masses feared an impending bloody revolution which they felt could only be prevented by General Marshall. General Marshall replied that both sides are attacking him; however, it seemed that only the reactionary clique in the Government realizes the cause and effect on the whole situation. Therefore they merely sit back and allow the Communists to play into their hands. General Marshall said he would now wait to see if the National Assembly adopted a good constitution and took concrete measures to enforce same. He cited the newspaper story that the Kuomintang's expenditures would no longer be met by the budgets of local governments, and expressed the opinion that it was an excellent sign of reform as a first step for the Kuomintang to sever its party budget from the budget of the Central Government.

General Lee referred to a reported change in the draft constitution which created a Vice-Presidency in the Government. It specified that this Vice-President must be an ex-official of the Control Yuan. General Lee said that this post might have been created for Chairman Mao Tse Tung. This would be an effort on the part of the Government to bid for the Communist Party's participation in a coalition Government. General Marshall stated that he would not think so, because a Vice-President would become the Chief of State upon the death of the President. Therefore, both the President and the Vice-President must be of the same party.

General Lee said that the question today is how to put Chairman Mao and Generalissimo Chiang together. General Marshall stated that he felt certain that Chairman Mao would not be allowed to come into the Government as the Vice-President. However, he felt that Mr. Mao could be the President of the Executive Yuan. General Lee then said that the new President of the Executive Yuan, irrespective of whom he might be, must be able to hold together the members of different parties working under him. General Marshall commented that it would be an exceedingly difficult task. He said that a coalition government would work well in an emergency only. He felt that the mixed government principle could be applied to the Legislative and Control Yuans without much difficulty; however, it could not be easily applied to the Executive Yuan.

General Lee commented that if a few less important Ministries in the Executive Yuan were given to the members of other parties,

it would not affect the team work very much. He further said that Dr. Lo Lung-chi of the Democratic League once expressed the opinion that the Kuomintang would not want the Communists in the Government because they did not wish the Communists to learn about the secret treaties the Government had made with the United States. General Marshall retorted that there are no secret treaties between China and the United States and that every treaty which had been made or might be made by the U. S. Government was public property in the United States. General Marshall then cited the air and trade treaties signed by the United States and China. He stated that great care had been taken in drafting the terms in these treaties so that no precedents would be established to be taken advantage of by the Soviet Government.

General Lee then said the present conscription law and the corruption of the Government officials are having a very bad effect among the Chinese people. If such practices were allowed to continue, then China would be in a terrible mess within a few years. At the present time many Chinese youngsters are being led to believe in the Communist propaganda because they are greatly antagonized by the Government's practices. Therefore, General Lee felt that Communism would spread like wildfire once the war in China began.

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893.00/12-1246 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, December 12, 1946.

[Received December 12—3:10 p. m.]

2094. Nanking Communist spokesman December 10 told press there was no hope for a compromise settlement of China's problems and that Kuomintang and Communists would fight on "until a change in the international situation and weakening of the Kuomintang Party necessitates a fresh approach".

He was very pessimistic over possibility that a visit by a Government delegate to Yen-an would result in new peace talks. He said that Chou En-lai's two conditions for reopening some discussions were "flat and final".

Spokesman said that a change in military situation would be possible only when America halted all help to the Kmt and when this country as a result of military expenditures of men and materials faced an economic crisis.

STUART

Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Dr. Stuart at the American Embassy, December 13, 1946, 10:30 a. m.*

Also present: Colonel Underwood

Dr. Stuart stated that the Generalissimo wants a conference with General Marshall and Dr. Stuart. The Generalissimo has been wondering why he hasn't seen more of General Marshall. Dr. Stuart said he had explained the matter by stating that General Marshall desired to avoid any misunderstanding which might come from his associations with one side while the other side had withdrawn from negotiations.

Dr. Stuart referred to a conference with the Generalissimo on the preceding day in which the Generalissimo showed deeper feeling and embarrassment over the situation in China than ever before. The Generalissimo had studied a memorandum from Dr. Stuart<sup>15</sup> which covered the rendering of technical advice and assistance by the United States. The Generalissimo honestly desires United States help in making China strong, modern, and efficient. He regards the primary problem as one of governmental organization. He desires advice in this field much more than loans and material aid.

Dr. Stuart mentioned to the Generalissimo the report of the Agricultural Mission.<sup>16</sup> He said that this report needed thorough backing within the Government in order to be implemented. This program, if carried out properly, would give positive evidence of the Government's sincerity for the welfare of the people of China, since it goes to the very heart of the problem; namely, the rural areas. The Generalissimo seemed ready to carry out such a program. Dr. Stuart felt that if fighting were stopped, the railroads protected, the Government advised on organization and technical matters, the door kept open for Communist participation in the Government but no actual pressure placed on them, the Communists might possibly come to terms.

Dr. Stuart said that if General Marshall's mission were to bring stability to China and the Far East, his job has just begun, his mission only started. He said the Generalissimo honestly desired General Marshall to stay in China as his advisor. The Generalissimo was worried by rumors that General Marshall would become a Presidential candidate and he figured that General Marshall could do more good for humanity by staying in China than by becoming President of the United States. The Generalissimo believes that General Marshall is the one man who can lead China out of her ancient inefficiencies and

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<sup>15</sup> Not found in Department files.

<sup>16</sup> For final press release on November 16, see p. 1284.



give her honest government and an efficient army. Dr. Stuart said the task bristled with difficulties, but was nevertheless an immense opportunity.

General Marshall stated that the basic question was where the most important service to China could be rendered. General Marshall described himself as struggling with two problems: the power of the reactionaries in the Government, and the difficulty of dealing with the Communist Party in its immense distrust of the National Government. He considered that the best way to defend against Communism was for the existing government of China to accomplish such reforms that it would gain the support of the people. General Marshall commented on the destructive influence of the reactionaries in the Government and stated that the Generalissimo's own feelings were so deep and so colored that it was most difficult to divorce him from the reactionaries. General Marshall stated that the solution seemed to call for building up the liberals under the Generalissimo at the same time that he tore down the reactionaries. Blasting the reactionaries by a statement in China would only provide tremendous encouragement to the Communists. A statement made in the U. S., however, would get heavy news coverage, and would be reflected with less distortion all over China. Any statement, however, must be very forceful. It must explain the situation to the people of America, must make reactionaries in China plainly see the handwriting on the wall and must strengthen the liberals.

General Marshall read Dr. Soong's memorandum (on file in Embassy)<sup>17</sup> on Communist intentions. He called attention to the uncertainty as to the sources of the information and commented that analysis was difficult since the truth of the statements could not be determined. Dr. Stuart said that the incoherence of the memorandum caused him to regard it as probably genuine. He said that any Chinese spy sitting in on Communist meetings would probably be confused, somewhat unnerved by pressure and incapable of understanding many of the issues. He stated that he would ask Dr. Soong how the information was obtained (later in the day, Dr. Stuart reported that Dr. Soong would not reveal his source but stated unequivocally that the memorandum was genuine).

General Marshall expressed his belief that no statement should be made until the Constitution is adopted and the Government has taken steps to enforce the Constitution and reorganize the Government. He referred to a proposed statement which he would shortly receive from the State Department, and which the State Department was most anxious to issue at once.

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<sup>17</sup> Copy of memorandum not found in Department files.

General Marshall referred to the Generalissimo's desire for American advice. He said that machinery already existed for providing military and naval advice. The big question, however, concerned means of making practical use of this machinery which, presently, was being neutralized by the civil war. He stated that one of the prime needs of the Government was to place its financial procedure on a sound basis. Other ripe fields include the establishment of a firm budget and the general overhauling of taxation programs. American advisors could be quite helpful on these matters provided they were given sufficient authority and direct access to Government figures on a decision level. He emphasized, however, that corruption within the Government could not be eliminated through advice. Corruption could only be eliminated by the existence of an effective opposition party.

General Marshall asked Dr. Stuart for the Generalissimo's reaction to Dr. Stuart's scheme for reopening the two north and south railroad lines in North China. Dr. Stuart said that the Generalissimo accepted the idea and expressed a willingness to approach the Communists. General Marshall doubted that the Communists would agree to the railroad proposal. The Communists were so distrustful of the Government that they would probably regard the proposal as a guise for moving troops into the Communist areas. However, General Marshall regarded the railroad issue as extremely vital. He thought it might be more realistic to start on the Tientsin-Pukow line, since it did not traverse the heart of the Communist area. If the experiment proved successful in this area, sufficient mutual faith might be developed to permit application of the procedure in other areas. General Marshall recognized that the successful carrying out of such a program required faithful keeping of the peace which would be supremely difficult because of the mass of misrepresentation to be encountered on both sides.

Dr. Stuart stated that there was no one else in China with the Generalissimo's ability, prestige, character, and sincerity. He said that the Generalissimo had been struggling with himself and that he was now ready and anxious to go down in history as the man who brought unity and liberal government to China.

General Marshall asked Dr. Stuart for his opinion of Dr. C. P. Lee. He mentioned that Dr. Mills,<sup>18</sup> who had first brought Dr. Stuart to General Marshall's attention, also sponsored Dr. Lee. Dr. Stuart said that Dr. Lee was probably a well-meaning individual who wants to be helpful, but that he actually did not believe that Dr. Lee could be of any great practical help. General Marshall then asked for Dr.

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<sup>18</sup> W. P. Mills, head of American missionary group at Nanking.

Stuart's opinion of Mr. Mo Te-hui. Dr. Stuart described him as able, patriotic, and selfless.

Dr. Stuart said that the Generalissimo wished to know General Marshall's reaction to General Chang Chun's trip to Yen-an, now that the Communists had taken a truculent attitude on the matter. General Marshall reminded Dr. Stuart that it had always been his idea that the trip to Yen-an should await adoption of the Constitution and positive manifestations of Government intentions to reorganize and to enforce the Constitution. Also, the trip to Yen-an must not be shackled with stipulations.

Dr. Stuart stated that the Generalissimo was vastly worried over the leaking out of the plans for the trip to Yen-an. It was believed that the Minister of Foreign Affairs was responsible for disseminating the general theory behind the trip.

Dr. Stuart said that the Generalissimo wanted a conference with both himself and General Marshall to discuss American advice and supervision of the modernization of China's government system to permit establishment of a progressive, democratic organ. General Marshall suggested that the Generalissimo might be making this recommendation as a means of bidding for the support of himself and Dr. Stuart to the Government cause. Dr. Stuart agreed that this motive entered into the Generalissimo's thinking, but that the overriding factor was the Generalissimo's overwhelming desire to bring democracy and good government to the people of China.

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to the Acting Secretary of State*<sup>19</sup>

[NANKING,] 14 December 1946.

1874. I am transmitting herewith redraft of the Presidential statement proposed in your 87476. This was prepared in conference with Dr. Stuart and Mr. Butterworth. We are all in agreement as to the changes proposed. Referring to the statement regarding my stay in China, it is important to amend that somewhat as indicated in the redraft because it appears now very likely that I should return to Washington in the near future, though this possibility should not leak out.

There is no reason why this statement by the President should be delayed. I am agreeable to its immediate issuance.

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<sup>19</sup> Copy transmitted to the Acting Secretary of State by the War Department on December 15.



The redraft of the statement follows:<sup>20</sup>

[2.] The policies of this Government were also made clear in my statement of last December. We recognized the National Government of the Republic of China as a [*the*] legal government. We undertook to assist the Chinese Government in reoccupation of liberated areas and in disarming and repatriating the Japanese invaders. And finally, as China moved toward peace and unity along the lines mentioned, we were prepared to assist the Chinese economically and in other ways.

[3.] I asked General Marshall to go to China as my representative. We had agreed upon my statement of the United States Government's views and policies regarding China as his directive. He knew full well in undertaking the mission that halting civil strife, broadening the view of the Chinese Government and bringing about a united, democratic China were tasks for the Chinese themselves. He went as a great American to make his outstanding abilities and the appropriate assistance of this Government available to the Chinese.

[4.] During the war, the United States entered into an agreement with the Chinese Government regarding the training and equipment of a special force of 39 divisions. That training ended [on] V-J Day and the transfer of the equipment had been largely completed when General Marshall arrived.

[5.] The United States, the United Kingdom and the Union of Soviet Socialist Republics all committed themselves to the liberation of China, including the return of Manchuria to Chinese control. Our Government had agreed to assist the Chinese Government in the reoccupation of areas liberated from the Japanese, including Manchuria, because of China's lack of shipping and transport planes. Four armies were moved by air and eleven by sea, to Central China, Formosa, North China and Manchuria. Most of these moves had been made or started when General Marshall arrived.

[6.] The disarming and evacuation of Japanese progressed slowly—too slowly. We regarded our commitment to assist the Chinese in this program as of overwhelming importance to the future peace of China and the whole Far East. Surrendered but undefeated Japanese armies and hordes of administrators, technicians, and Japanese merchants, totalling about 3,000,000 persons, had to be removed under the most difficult conditions. At the request of the Chinese Government we had retained a considerable number of American troops in China, and immediately after V-J Day we landed a corps of Marines in North

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<sup>20</sup> Bracketed numbering corresponds to that in telegram No. 87476, December 11, p. 610: paragraphs omitted are the same as corresponding paragraphs in telegram No. 87476, or have only unimportant verbal changes. Bracketed corrections are based on the telegram as sent to the War Department by General Marshall.

China. The principal task of these forces was to assist in the evacuation of Japanese. Only some 200,000 had been returned to Japan by the time General Marshall arrived.

[9.] Events moved rapidly upon General Marshall's arrival. With all parties availing themselves of his impartial advice, agreement for a country-wide truce was reached and announced on January 10th. A feature of this agreement was the establishment of a unique organization, the Executive Headquarters in Peiping. It was realized that due to poor communications and the bitter feelings on local fronts, generalized orders to cease fire and withdraw might have little chance of being carried out unless some authoritative executive agency, trusted by both sides, could function in any local situation.

[10.] The Headquarters functioned under the leaders [*leadership*] of three commissioners—one American who served as chairman, one Chinese Government representative, and one representative of the Chinese Communist Party. Mr. Walter S. Robertson, Chargé d'Affaires of the American Embassy in China, served as chairman until his return to this country in the fall. In order to carry out its function in the field, Executive Headquarters formed a large number of truce teams, each headed by one American officer, one Chinese Government officer, and one Chinese Communist officer. They proceeded to all danger spots where fighting was going on or seemed impending and saw to the implementation of the truce terms, often under conditions imposing exceptional hardships and requiring courageous action. The degree of cooperation attained between Government and Communist officers in the Headquarters and on the truce teams was a welcome proof that despite two decades of fighting, these two Chinese groups could work together.

[11.] Events moved forward with equal promise on the political front. On January 10th, the Political Consultative Conference began its sessions with representatives of the Kuomintang or Government Party, the Communist Party and several minor political parties participating. Within 3 weeks of direct discussion these groups had come to a series of statesman-like agreements on outstanding political and military problems. The agreements provided for an interim government of a coalition type with representation of all parties, for revision of the draft constitution along democratic lines prior to its discussion and adoption by a National Assembly, and for reduction of the Government and Communist armies and their eventual amalgamation into a small modernized truly national army responsible to a civilian government.

[13.] While comprehensive large scale aid has been delayed, this Government has completed its wartime lend-lease commitments to China. Lend-lease assistance was extended to China to assist her in

fighting the Japanese, and later to fulfill our promise to assist in re-occupying the country from the Japanese. Assistance took the form of goods and equipment and of services. Almost half the total made available to China consisted of services, such as those involved in air and water transportation of troops. According to the latest figures reported, lend-lease assistance to China up to V-J Day totalled approximately \$870,000,000. From V-J Day to the end of February, shortly after General Marshall's arrival, the total was approximately \$602,000,000—mostly in transportation costs. Thereafter, the program was reduced [to] the fulfillment of outstanding commitments, much of which was later suspended.

[15.] China agreed to buy all surplus property owned by the United States in China and on 17 Pacific Islands and bases with certain exceptions. Six months of negotiations preceded the agreement finally signed in August. It was imperative that this matter be concluded in the Pacific as had already been done in Europe, especially in view of the rapid deterioration of the material in open storage under tropical conditions and the urgent need for the partial alleviation of the acute economic distress of the Chinese people which it was hoped this transaction would permit. Aircraft, all non-demilitarized material, and fixed installations outside of China were excluded. Thus, no weapons which could be used in fighting a civil war were made available through this agreement.

[16.] The Chinese Government cancelled all but 30,000,000 United States dollars of our indebtedness for the Chinese currency, and promised [to] make available the equivalent of 35,000,000 United States dollars for use in paying United States governmental expenses in China and acquiring and improving buildings and properties for our diplomatic and consular establishments. An additional sum of 20,000,000 United States dollars is also designated for the fulfillment of a cultural and educational program.

[17.] Before General Marshall arrived in China for the second time, in April, there was evidence that the truce agreement was being disregarded. The sincere and unflagging efforts of Executive Headquarters and its truce teams have succeeded in many instances in preventing or ending local engagements and thus saved thousands of lives. But fresh outbreaks of civil strife continued to occur, reaching a crisis of violence in Manchuria with the capture of Changchun by the Communists and where the presence of truce teams had not been fully agreed to by the National Government.

[19.] There has been encouraging progress in other fields, particularly the elimination of Japanese from China. The Chinese Government was responsible under an Allied agreement for the disarmament of all Japanese military personnel and for the repatriation of



all Japanese civilians and military personnel from China, Formosa and French Indo-China north of the sixteenth degree of latitude.<sup>21</sup>

[21.] At the end of last year, approximately 200,000 Japanese had been repatriated. They were leaving Chinese ports at a rate of about 2,500 a day. By March of this year, rapidly increased efforts on the part of the American forces and the Chinese authorities involved had increased this rate to more than 20,000 a day. By the last of October, 2,980,361 Japanese had been evacuated and the program was considered completed. Except for indeterminate numbers in certain parts of Manchuria, only war criminals and technicians retained on an emergency basis by the Chinese Government remain. That [this] tremendous undertaking has been accomplished despite conflict, disrupted communications and other difficulties will remain an outstanding example of successful American-Chinese cooperation toward a common goal.

[22.] <sup>22</sup>

[23.] <sup>23</sup> Another duty our forces undertook immediately upon the Japanese surrender was to provide the necessary protection so that coal from the great mines northeast of Tientsin could reach the sea for shipment to supply the cities and railroads of Central China. This coal was essential to prevent the collapse of this industrial area. Our Marines were withdrawn from this duty last September.<sup>21</sup>

[24.] At peak strength a year ago we had some 113,000 soldiers, sailors and Marines in China. Today this number is being reduced to less than 12,000, including some 2,000 directly concerned with the operations of Executive Headquarters and will be further reduced to the number required to supply and secure the American personnel of Executive Headquarters and the air field and stores at Tsingtao.

[25.] Thus, during the past year we have successfully assisted in the repatriation of the Japanese and have subsequently been able to bring most of our own troops home.<sup>21</sup>

[26.] It is a matter of deep regret that China has not yet been able to achieve unity by peaceful methods. Because he knows how tedious [*serious*] the problem is, and how important it is to reach a solution, General Marshall has remained at his post even though active negotiations have been broken off by the Communist Party. We are ready to help China as she moves toward peace and genuine democratic government.

[27.] The views expressed a year ago by this Government are valid today. The plan for political unification agreed to last Febru-

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<sup>21</sup> Remainder of paragraph unchanged.

<sup>22</sup> Unchanged except that last sentence was deleted by General Marshall's redraft.

<sup>23</sup> First five sentences unchanged.

ary is sound. The plan for military unification of last February has been made difficult of implementation by the progress of the fighting since last April, but the general principles involved are fundamentally sound. But China is a sovereign nation. We recognize that fact and we recognize the National Government of China. We continue to hope that the Government will find a peaceful solution.

[28.] We are pledged not to interfere in the internal affairs of China. Our position is clear. While avoiding involvement in their civil strife, we will persevere with our policy of helping the Chinese people to bring about peace and economic recovery in their country.

[29.] As ways and means are presented for constructive aid to China, we will give them careful and sympathetic consideration. An example of such aid is the recent agricultural mission to China under Dean Hutchison of the University of California sent at the request of the Chinese Government.<sup>24</sup>

[30.] In short, we believe that our hopes for China are identical with what the Chinese people themselves most earnestly desire. We shall therefore continue our positive and realistic policy toward China which is based on full respect for her national sovereignty and on our traditional friendship for the Chinese people and is intended to promote international peace.<sup>25</sup>

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Marshall Mission Files, Lot 54-D270 : Telegram

*Lieutenant General Alvan C. Gillem, Jr., to General Marshall*

PEIPING, 16 December 1946.

74. A Conference was held this afternoon with the Communist Party Commissioner to consummate arrangements for our Liaison Group in Harbin, as planned in 67.<sup>26</sup> General Yeh informed me

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<sup>24</sup> Remainder of paragraph unchanged.

<sup>25</sup> For text of statement by President Truman on December 18, see *United States Relations With China*, p. 689. This text is the same as General Marshall's redraft except for slight revisions, most of them of a verbal nature. In paragraph [1], the first four words were replaced by "Last December". In paragraph [3], third sentence, the word "view" was changed to "base"; fourth sentence, the phrase "and the appropriate assistance of this Government" was deleted. In paragraph [5], third sentence, "Four armies" was changed to "Three armies". In paragraph [10], first sentence, the word "functioned" was changed to "operated". In paragraph [12], third sentence, the word "assurance" was changed to "substance". In paragraph [13], sixth sentence, the figure "\$602,000,000" was changed to "\$600,000,000". In paragraph [19], fifth sentence, last three words changed to "to be evacuated". In paragraph [21], fourth sentence, first words changed to "By November, 2,986,438 Japanese". In paragraph [29], last sentence, the clause "When conditions in China improve," was inserted preceding the original wording. In paragraph [30], the first two words were deleted and, in final sentence, the word "intended" was changed to "designed".

<sup>26</sup> Not printed.

that he had been requested by General Chou En Lai to obtain our concurrence in sending General Yao from Yen-an to Harbin by our next courier plane. (Major General Yao Su Shih was one time Senior Representative CCP Branch, Advance Section Changchun). Yeh stated it is essential to send Yao to Harbin since the CCP authorities in Harbin apparently do not fully appreciate significance of the arrangement whereby Yen-an has approved US Liaison Group with radio communication of their own in Harbin. In this regard your group in Harbin, consisting of 6 US personnel, including 2 officers and radio technicians with radio equipment, are presently inoperative by result of radio restriction. Therefore this visit, we hope, will result in augmentation of the group and opening of communications.

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Marshall Mission Files, Lot 54-D270

*Notes on Meeting Between General Marshall and Mr. Hou Yeh-chun at No. 5 Ning Hai Road, Nanking, December 16, 1946, 10:45 a. m.*

Also present: Mr. Effenberg  
Mr. Yang Lien  
Captain Soong

General Marshall read the memorandum submitted by Mr. Hou of the Chinese Democratic Party.<sup>28</sup>

Mr. Hou told General Marshall that the objective of the Chinese Democratic Party is to achieve unity, peace and democracy for China. He related that during the war he served under General Tang En-po as the Director of Political Affairs. Later, he realized the need of organizing a new political party. This proposal was submitted to the Generalissimo through Mr. Chang Wen-po, Minister of Political Affairs of the National Military Council, and was approved. Now, the Chinese Democratic Party has a total membership of 630,000 in Yunnan and Szechuan provinces. He also pointed out that about 27% of these members are industrialists and businessmen, and 40% are from the educational field. He further stated that the majority are between the ages of 35 to 50.

Mr. Hou then said that he would like to represent the entire membership of his party to pay their respects to General Marshall in his mission to achieve peace, unity and democracy for China. Mr. Hou stated that his party would devote itself to unification of the country and application of the Three People's Principles.

General Marshall said that the policy outlined in this memorandum would be most difficult to attain. He expressed his belief that the

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<sup>28</sup> Not found in Department files.



major hope for China at the present time lay in the combined action of all the minority parties. General Marshall stated that during the past year, he had become familiar with the Democratic League and its branch under Mr. Carsun Chang, the Youth Party, the Farmers' League and the non-partisans who almost functioned as a formal party. Ever since General Marshall arrived in Nanking, he had exerted his best efforts to persuade the numerous minority parties to organize into a third group to balance the situation between the Kuomintang and the Communist Party. General Marshall said that the representatives of the Democratic League, the Youth Party and the non-partisans had joined together for a very brief period when they came to Nanking shortly before the convening of the National Assembly, and were for a time able to exert an important influence. Then they were split apart under pressure from both the Kuomintang and Communist Parties, as he had warned them would be the case. Now their influence was negligible. They cancelled each other.

General Marshall stated that the most important thing at the present time is to organize all the liberals into one party and select some outsider to be the leader. He believed that the time had come for each of the minority parties to make genuine sacrifices so that they can agree on the formation of a strong and influential group to mediate between the Kuomintang and the Communist Party. He emphasized that without organization, the minority parties would be powerless. General Marshall further stated that throughout his past year's experience, he had found many liberals both in the Kuomintang and among the younger members of the Communist Party. He felt that many of the educated people joined the Communists out of sheer disgust with the local Kuomintang governments. General Marshall also believed that the Democratic League allied itself with the Communists because they felt that the only way they could bring about reform in the Government was by utilizing the power of the Communist Party.

General Marshall said that great confusion had resulted from the evil propaganda of both sides. This confusion had influenced many people erroneously and had rendered negotiations more difficult.

In conclusion, General Marshall reiterated that the most important thing at present is the unification of the minority parties. These minority parties must make individual sacrifices in order to form an effective organization to deal with the current situation. Mr. Hou said he would endeavor to conduct his party in accordance with General Marshall's suggestion.

Marshall Mission Files, Lot 54-D270

*Summary of Comments by Mr. Wang Ping-nan on  
December 16, 1946*<sup>29</sup>

1. Communist Party requests President Chiang Kai-shek to state explicitly what he wishes them to do.

2. If Government insists on using armed force, Communist Party has no recourse.

3. If Government wishes instead to find a political solution it cannot but give consideration to Communist Party opinion.

4. Communist Party should not be thought of as having terminated negotiations because Mr. Tung Pi-wu and General Yeh Chien-ying are still available for this purpose.

5. If the Government really wishes the Communist Party to cooperate and has not finally rejected them, the Communist Party can arrange for the return of General Chou En-lai.

6. In this event it is unnecessary to send a delegation to Yen-an.

7. Communist Party has no desire to discontinue American mediation.

8. The present international outlook, especially in US-USSR relations, seems more favorable; therefore Communist Party hopes that the internal problem in China can be solved in the near future.

NOTE: In the first interview with Messrs. Tung and Wang they both felt that the two conditions in the latest reply from Yen-an could be cancelled. But Mr. Wang reported later that Mr. Tung did not feel able to alter these. This largely vitiates the other points.

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Dr. Lo Lung-chi  
at No. 5 Ning Hai Road, Nanking, December 18, 1946, 10 a. m.*

Also present: Colonel Underwood

Dr. Lo stated that he was leaving tomorrow for Shanghai where the Democratic League was to hold a meeting to chart future party activities. He asked if General Marshall could give any advice to the Democratic League.

General Marshall said that it was very difficult to give advice at this time. He was somewhat at a loss to determine the real issues of the moment. There was so much Chinese maneuvering taking place that it was difficult for an American to accurately assess the situation. He had not participated in the negotiations for a considerable period;

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<sup>29</sup> Memorandum prepared by Philip Fugh after conferring with Wang Ping-nan and Tung Pi-wu.

his usefulness as a negotiator had been practically wrecked by recent Communist actions which played directly into the hands of the reactionaries in the Government. His chief opposition from the Government had always come from the reactionary elements. However, of late, whenever he was able to wring a concession from the Government over the protests of the reactionaries, the Communists in their deep distrust of the Government would oppose these concessions, thereby pleasing the reactionaries and rendering General Marshall practically powerless as a mediator. If the Communist Party had any real desire to enter the Government, their recent actions have been almost stupid.

Unfortunately, the minority parties had allowed themselves to be split by the two major parties and, consequently, they are now unable to influence the situation. If the minority parties would band together into a single, liberal, patriotic organization devoted to the welfare of the people of China and not to the selfish interests of party leaders, they would be able to exert profound influence and this influence would increase as the party received positions, power and patronage. Such a party could stand between the two major parties and neither major party could take a decisive step without the support of the liberal party. Now, however, the minority parties are disunited and unable to prevent the use of military force by the Government or the promotion of economic collapse by the Communist Party. In the midst of this deplorable situation, the people of China stand alone, bearing the full weight of this tragedy.

General Marshall referred to the vicious, reckless propaganda of the Communist Party. Unfortunately, the Communist Party was now convinced of its own propaganda. He was totally exasperated by the anti-American phases of the Communistic propaganda and could not be expected to sit silently forever under this malicious deluge of misrepresentation.

He had remained in China in the hope that his presence would facilitate the adoption of a genuine democratic constitution by the National Assembly. If such a constitution is adopted, followed by an effective reorganization of the State Council with seats left vacant for the Communist Party, by a thorough reorganization of the Executive Yuan, and by concrete measures to enforce the constitution, then the National Government will, in his opinion, be in a strong negotiating position. Attacks by the Communists will have to be concentrated on secondary issues, such as the unilateral convocation of the National Assembly and variance from the procedure prescribed by the PCC. The actual adoption and enforcement of a constitution based on the PCC agreements will leave so little sound ground for continued Communist truculence.

General Marshall read Mr. Philip Fugh's summary of his recent



conversation with Mr. Wang Ping Nan and Mr. Tung Pi Wu (See enclosure).<sup>30</sup> He said that the points covered in this summary may mean much or nothing.

General Marshall stated that he had asked Dr. Stuart for suggestions regarding what he (General Marshall) should say to Dr. Lo. Dr. Stuart advised General Marshall to say nothing, but to listen to what Dr. Lo might have to say. General Marshall had not done this. Instead, he had been completely frank. In the past, the Chinese had made generous misuse of his frankness. However, he would continue to be frank, since he considered this the best course in the long run. However, he wanted Dr. Lo to understand fully that he was speaking in confidence and did not wish to read about this conversation in the newspapers.

Dr. Lo expressed his appreciation for General Marshall's frankness and gave assurance that he would say nothing to the press. Dr. Lo referred to his recent conversation with Mr. Wang Ping Nan and stated that Mr. Wang told him repeatedly that the Communist Party wanted American mediation. General Marshall stated that he had often felt in the past that the National Government desired his mediation as a shield for its military aggression. He referred to the manner in which he had wrung the Kalgan truce proposal from the Government over its bitter resentment that it was being placed in an untenable position by General Marshall's threat of recall. Now, the Communist Party feels it would be placed in an untenable position if it were to formally refuse American mediation. Therefore, he has now become a convenience to the Communist Party just as he once felt he was used for the convenience of the Kuomintang. General Marshall took little stock of professed desire of the CCP for his further mediation. He had asked the Communist Party a simple, direct question and did not consider his question had as yet been answered. He would not allow himself to be used as a convenience by either party and he definitely would not allow the United States Government to be maneuvered into a position where its integrity could be questioned. Dr. Lo commented on General Chou's recent speech in Yenan<sup>31</sup> and Mao Tze Tung's press conference as indications of a stiffening Communist attitude. The Communist Party had indicated to Dr. Lo that it intended to take back certain areas in order to strengthen its position in peace negotiations. General Marshall replied categorically that he did not intend to serve as an umpire on the battlefield.

Dr. Lo doubted the ability of the Government to carry out the new

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<sup>30</sup> Dated December 16, *supra*.

<sup>31</sup> See telegram No. 2126, December 18, 1 p. m., from the Ambassador in China, p. 640.

constitution since the Communist Party held a large area of China and would not accept this constitution. General Marshall did not agree wholly with Doctor Lo because of National Government entrenchment in Manchuria and North China. The whole matter hinged on the methods used by the Government to enforce the constitution. If the constitution was vitiated and circumvented in favor of a policy of force, tragic economic collapse would follow and China might fall back to the dark ages of warlordism. It was very difficult because of twisted propaganda to make a correct estimate of the military situation. However, he considered the Communists capable of waging effective guerrilla warfare, but incapable of formal positional warfare. On the other hand, the Government was not capable of destroying the Communist Party by force nor was it capable of defending itself against the guerrilla tactics of the Communists. If his estimate is correct, then the people of China can only look forward to tragedy, poverty, and suppression.

Dr. Lo felt that if the reorganization of the Government was accomplished without participation of the Communist Party, the possibilities of peaceful negotiations would be lessened. The Communist Party would construe unilateral reorganization of the Government as positive indication that the Communists were not wanted in the Government. General Marshall asked if the leaving of seats for the Communist Party in the State Council would alter the Communist attitude. Dr. Lo did not think that the Communists would participate in a government which had been reorganized without prior consultation with them. Dr. Lo thought it was better to make a new effort to reopen negotiations. He did not believe that the Communist Party's two conditions (dissolution of the National Assembly and restoration of 13 January positions) were rigid. The first condition would soon be overtaken by events. He interpreted the second condition as referring not so much to restoration of military positions as of 13 January, but retention of local governments as they existed on 13 January. Dr. Lo thought that there was still a chance for successful negotiations; however, if the National Government expects the Communist Party to give up its army, the Government must be prepared to make broad political concessions.

Dr. Lo then referred to the three conditions for resumption of negotiations which General Chou laid down upon his return to Yen-an. These conditions required a new inter-party conference, the establishment of a coalition government, and the convocation of a new national assembly. Dr. Lo recognized that compromise was necessary regarding the third condition since the National Government could not be expected to dissolve the National Assembly, and the Communist Party could not be expected to accept the constitution adopted by

this Assembly. The big question, therefore, concerned whether or not an inter-party conference could be called. In reply to General Marshall's question concerning the type of inter-party conference involved, Doctor Lo stated his understanding that this conference would follow the spirit but not the form of the earlier PCC meetings.

Dr. Lo felt it was still possible for the minority parties to cooperate, although it would be vastly difficult to reconcile all differences. The Democratic League had stayed out of the National Assembly in order to show the Communist Party that it was not alone, that it still had friends who would stand by them in the event of new negotiations. He hoped that following the meeting of the Democratic League in Shanghai a representative of the League could be sent to Yen-an to discuss possibilities of further negotiations with Mao Tze Tung. He feared, however, that the Government would oppose this action. General Marshall asked what the Government could do to prevent the trip to Yen-an. Dr. Lo replied that the Government might resort to suppression and intimidation of the members of the League on the grounds that the League is functioning as the tail of the Communist kite. Dr. Lo asked if General Marshall would furnish transportation for the League's peace envoy to Yen-an. General Marshall replied affirmatively with the qualification that it might be necessary to use the weekly courier plane of Executive Headquarters.

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Dr. Stuart at Dr. Stuart's Residence, Nanking, December 18, 1946, 11 a. m.*

Also present: Mr. Butterworth  
Colonel Caughey

Dr. Stuart opened the meeting by reporting that Mr. Wang Ping-nan, in furtherance of previous conversations on the same subject, had told Dr. Stuart that he (Mr. Wang) did not think it profitable for the Communist delegation here in Nanking to send another message to Yen-an seeking a direct answer to General Marshall's initial query as to whether the Communist Party desired American mediation. Mr. Wang stated that the last message, although vague, implied the CCP did want American mediation and added that probably what the CCP wanted was a formal reply to that message from the Government. Mr. Wang asked whether Dr. Stuart would make the necessary arrangement to obtain such a reply. General Marshall and Dr. Stuart agreed that they should not press the Government for a reply, since the Communists had not replied to General Marshall's direct question and if this document was to be construed as a reply, it was not for the



Government to acknowledge, also, it is very likely that Mr. Wang is pressing for such a reply (realizing it would probably be vitriolic), since that reply could be a convenient, "face-saving" way for the Communists to refuse entry into Yen-an of the special Government delegation.

General Marshall referred to a conference he had this morning with Dr. Lo Lung-chi, during which he had taken the chance of informing Dr. Lo that he (General Marshall) felt the Government was using him as a convenient cover for continued military operations and that he felt the Communists, at this particular point, were doing the same thing. Dr. Lo's reaction was merely to the effect that he felt sure, through recent conversations with Mr. Wang and Mr. Tung Pi-wu, that the Communists, in good faith, desired continued American mediation. General Marshall also made reference to a recent discussion with the Generalissimo in which he noted a definite inconsistency with reference to one of Dr. Stuart's recent proposals concerning the opening of two main railroads in North China. General Marshall stated that the Generalissimo emphasized his desire to make every effort to bring the Communists into the Government, but, at the same time, he said that it was useless to attempt to negotiate with the Communists over the railroad—the lines would have to be cleared by force. The Generalissimo went further by stating that if the railroads were taken by force, the Communists would then be forced to come to terms. General Marshall added that a similar attitude had been evidenced by the Generalissimo last June when he said that "Given time, the ripe apple will fall in our laps" and again in August when he said "If hostilities are stopped, there would be no way to force the Communists to attend the National Assembly". General Marshall reiterated his conclusion that both the National Government and the Communists find it convenient for continued American mediation: on the Government side, for purposes of covering the active military campaign; on the Communist side, to avoid any possibility of being charged with breaking off negotiations. General Marshall added, as an additional thought along these lines, that in his discussions with the Generalissimo concerning his (General Marshall's) stay in China as an advisor to the Government, he had categorically refused, since: 1) an American could not accept such a position in the face of civil war in China; and 2) the position of the United States in China would be embarrassed as his services would tend to stultify all his previous actions.

General Marshall said that this request on the part of the Generalissimo probably was an indication of the Government's desire to use his (General Marshall's) influence in obtaining future United States loans.

General Marshall said that this all left him with the necessity for decision as to what course of action is best under the circumstances. It seemed, he thought, that about the only thing that could be done immediately is to exert all effort toward seeing that a genuine democratic constitution in keeping with the PCC is passed in the National Assembly, that the Government is reorganized.

Dr. Stuart said that Dr. Pfeiffer<sup>32</sup> had recently called on him and that he regretted to report to General Marshall that Dr. Pfeiffer's viewpoints are at odds with American mediation. Dr. Pfeiffer is presently of the firm view that all U.S. assistance to China must cease and all U.S. personnel, except diplomatic, must be removed from China. His reaction is based on the fact that the present Government is corrupt and that it does not serve the needs of the people and that further support on the part of the United States is like "Pumping blood into a corpse". General Marshall asked Dr. Stuart what Dr. Pfeiffer's reactions were towards the Communists. Dr. Stuart replied that Dr. Pfeiffer did not like the Communists, but that his (Dr. Pfeiffer's) reaction was not based on the Communistic aspect at all, but rather on the fact that the United States is causing civil war, since without U. S. assistance, the Government could not continue its military operations. General Marshall said that the U. S. was not giving any military assistance, to which Dr. Stuart replied that the assistance Dr. Pfeiffer referred to was more a moral assistance by virtue of the fact that American military personnel was present in China and that Americans were attempting to negotiate. Mr. Butterworth added that Dr. Pfeiffer's contacts were mainly with the intellectual university people who feel that the Generalissimo cannot be reformed and that the Government has "got to go to the cleaners". Mr. Butterworth continued by stating that the trouble with Dr. Pfeiffer's views is that they are based on the views of the most oppressed group of people in China, and that the only result of his suggested course of action would be a revolution. Dr. Stuart said that the Generalissimo is perfectly aware of all this, but his "mentality would not let him reform".

Dr. Stuart reported another depressing matter which was relayed to him by Mr. Hu Lin. Mr. Hu Lin said that lack of education on the part of many military officials, who, suddenly finding themselves in key positions, permitted a situation where these military leaders draw Government funds without accounting and speculate these funds in an already aggravated economic structure. The result is that they line their own pockets rather than devoting finances for the purposes intended.

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<sup>32</sup> Nathaniel Peffer, professor of international relations at Columbia University, New York City, traveling in China as a guest of the Department of State in connection with the Cultural Relationship Program.

General Marshall asked Dr. Stuart how Mr. Hu Lin felt about the National Assembly. Dr. Stuart reported that Mr. Hu was favorably impressed and he felt that great improvements were being made toward liberalizing the Government through discussions of the new constitution.

Dr. Stuart informed General Marshall that the Generalissimo did not wish Dr. Stuart to go away to Peiping for the Christmas holidays until Dr. Stuart had advised the Generalissimo as to what course of action the Generalissimo should take with respect to the proposed special Government delegation to Yen-an. Dr. Stuart said that an agreement on the North China railroads has got to be put up, since, to a great degree, the economic salvation of the country rests in satisfactory arrangements for full operation of these two railroads. A general discussion ensued during which it was agreed that the question of opening of the two North China railroads should not be made a major issue in any discussion which might take place in Yen-an, since it appears quite obvious that if this were made the main issue, the Communists would immediately resist any attempts for subsequent negotiations; that instead, a definite agenda would be prepared and that the Government delegates should go to Yen-an prepared to offer sufficient concessions to the Communists to encourage their re-entry into the political picture, such as the establishment of the State Council with nine seats left vacant for the Communists, reorganization of the Executive Yuan with definite indications and promises for Communist participation, and a definite and fair proposal for the operation of the two North China railroads. When specific and liberal proposals along these lines are developed by the Government—and not before—then Dr. Stuart should urge that the delegates go to Yen-an and clear the matter through the Communist delegation.

Dr. Stuart and General Marshall agreed to this procedure, and then Dr. Stuart asked General Marshall to coach the matter along with the Generalissimo in case definitive results developed prior to Dr. Stuart's return from Peiping after the holidays. General Marshall stated that he was perfectly willing to take care of this matter during Dr. Stuart's absence, but that he felt a renewal of negotiations at this time had very slender prospects. General Marshall informed Dr. Stuart and Mr. Butterworth that his opinion was that he (General Marshall) should return to the United States for consultation, and then after the President issued his résumé reaffirming U. S. policy in China, issue a statement of his own which would be designed to tear down the military clique and the reactionaries in the Government, and also tear down the devastating obstructionist attitude on the part of the Communists. By this means, General Marshall said, he would hope to build up the liberals in both parties and at large, and to appeal



to the Generalissimo to rely on these liberals for a reformed governmental establishment in China. Dr. Stuart stated that he had continually been trying to get the Generalissimo into the frame of mind that the hope of China rests with the liberals and that these liberals must be gotten into office.

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893.00/12-1846 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, December 18, 1946—1 p. m.

[Received December 18—7:40 a. m.]

2126. During the past week the National Assembly has continued in committee session, discussing article by article the provisions of the 151 articles of the Constitution. During these meetings a large number of amendments and revisions have been proposed of which a few met with approval. Principal changes approved were transfer of the capital to Peiping, rewording of the preamble in order to lay greater stress on China as a San Min Chu I republic, elimination of United Nations Charter as a constitutional basis of Chinese foreign policy and certain provisions designed to alter the scope and character of local government representation in the National Government.

All during this period, the available evidence indicated strenuous efforts by the CC clique to make every fundamental change in the draft by reverting to the May 5 draft. On December 15 the Generalissimo stated privately that he was having serious trouble with the CC clique, but that he thought he could, in the end, keep them under control by the use of sufficient pressure. On the 15th the Examination Committee concluded their work and referred their reports to the Steering Committee and yet some indication of how significant the Examination Committee work has been and of the actual extent of effective Kmt control of the final outcome may be found in the December 16 session of the Steering Committee which quietly, unanimously, and without argument, under the eyes of the Generalissimo, proceeded to veto every change made by the Examination Committee except one technical amendment on wording of the article involving amendment. Hence the draft will be referred to a plenary session on December 18 in the same form as it was proposed by the Government.

At the weekly memorial meeting, the Generalissimo is reported to have informed the Kmt that they were to support the Constitution as he had proposed it, without any nonsense, and that it would be enforced 6 months after the final session of the present assembly.

Reports indicate that in the military situation the Communists have suddenly become more active and are attacking in a number of widely separated areas. There is no evidence that this is a coordinated and concerted drive but rather that the Communists expect government offensive action before long and are merely making more difficult the mounting of any offensive by constant harassing actions, particularly against rail lines. Chou En-lai on December 12, anniversary of the Sian incident,<sup>33</sup> delivered a speech in Yen-an (ReEmbtel 2116, December 17<sup>34</sup>) which unequivocally repeated Communist terms on which they would resume negotiations, namely, dissolution of the assembly and the reversion to January 13 military *status quo*, and attacked the Government and the Generalissimo in such strong terms that the only possible interpretation now must be that the Communists have not the faintest intention of accepting any compromise solution. It is all the more significant that Chou should have made this speech since he has tended to be more conciliatory than other party leaders.

STUART

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893.00/12-1946 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, December 19, 1946—10 a. m.

[Received December 19—8:45 a. m.]

2134. Revival of anti-American attacks, commemoration of Sian anniversary, and Chou En-lai's blast against the Generalissimo were outstanding features of Yen-an broadcasts for week ending December 15. At Yen-an mass meeting resolution passed proclaiming November 4, date of signature of Sino-American commercial treaty, as "national disgrace day". *Emancipation Daily* stated there is still hope for Chinese people to erase this national disgrace by united front against Chiang Kai-shek and by use of same methods employed in liberating north China. Lu Ting-yi, Communist leader in Yen-an, told AP correspondent there, "we had long regarded United States as our ally. We had been told that the American Government would keep its word to China—that this was a trait common to the American people. We knew that only men of the caliber of Hitler and systems such as nazism and fascism failed to keep their word. We learned with shocked surprise that our faith in America had been misplaced. . . ."<sup>35</sup> The world is moving perceptibly toward the left and

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<sup>33</sup> For detention of Generalissimo Chiang Kai-shek at Sian, see *Foreign Relations*, 1936, vol. iv, pp. 414-455, *passim*.

<sup>34</sup> Not printed.

<sup>35</sup> Omission indicated in the original.

liberalism, even within the United States, while Chiang and the American policy makers find themselves alone, isolated in this new world." Full text of Chou En-lai's bitter personal attack on Generalissimo and condemnation of American policy on anniversary of Sian incident forwarded in Embtel 2116, December 17.<sup>36</sup>

Program commemorating Sian incident was object of much attention in broadcasts with one broadcast devoted entirely to above-mentioned Chou address and another to uncomplimentary account of Generalissimo's behavior during period he was being held in Sian. Yang Cheng-min, son of General Yang Hu-Cheng who has been held incommunicado for 10 years as a result of his participation in the incident, addressed people demanding release of his father. He charged National Government with entertaining General Okamura as honored guest in Nanking while Generals Yang and Chang Hsueh-liang (the Young Marshal) have been prisoners, and that arrests violated personal pledges of Madame Chiang and T. V. Soong.

According to Yen-an headquarters, 47 engagements were fought during November. Hottest areas of fighting were Hopeh-Honan border, North Kiangsu and north of middle Lunghai Railway.

Yellow River returned to news with appeal from border region people's congress for abandonment of plan to divert river back to old course.

Dept please repeat Moscow.

STUART

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Dr. Stuart at  
No. 5 Ning Hai Road, Nanking, December 19, 1946, 6:30 p. m.*

Also present: Colonel Caughey

Dr. Stuart reported that he had seen the Generalissimo and that the Generalissimo had raised several questions with reference to the current situation: the Generalissimo had in mind having the National Government delegation go to Yen-an as soon as possible because he was very anxious to have some sort of an indication from the Communists with reference to a settlement on the railroad question in North China; the Generalissimo wanted Dr. Stuart to ask General Marshall how it might be best to proceed with reorganization of the armies; and the Generalissimo wanted to know upon whom he was going to depend as advisors in the question of fundamental governmental structure. Dr. Stuart added that while he was visiting with

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<sup>36</sup> Not printed.



the Generalissimo the Presidential Statement <sup>37</sup> arrived and the Generalissimo asked what Dr. Stuart thought of it. Dr. Stuart stated that he told the Generalissimo that he considered it an accurate résumé of the U. S. policy toward China as that policy had developed in the past year.

General Marshall told Dr. Stuart that he had just had an appointment with Mr. Beal who took the view that the Presidential Statement was mainly for home consumption, which viewpoint General Marshall shared. General Marshall concluded the meeting by stating that the next two or three days would reveal interesting reactions in this regard.

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Marshall Mission Files, Lot 54-D270

*Notes on Meeting Between General Marshall and General C. P. Lee at No. 5 Ning Hai Road, Nanking, December 20, 1946, 10 a. m.*

Also present: Captain Soong

General Lee commented that the statement made by President Truman was forceful and informative. General Marshall stated that actually the President's statement said little that was new and was more a summary of what had taken place during the past year in China. General Marshall told General Lee that a fight is now in progress in the United States between two factions—one hostile to the Kmt of which Mr. Theodore White <sup>38</sup> is a leading figure, and the other under the leadership of Mr. Henry Luce and Mr. Roy Howard in favor of the National Government.

General Lee mentioned that without General Marshall's presence in China, the National Assembly would not have adopted a good constitution. He informed General Marshall that the Generalissimo had scolded Mr. Chen Li-fu, the leader of the reactionary CC Clique, and had brought the Kuomintang rightists into line. He further stated that Dr. Soong fully realized the bad conditions in China and the urgent need of rehabilitation.

General Marshall said that Chen Li-fu actually helped the Generalissimo to put through the PCC constitution in the National Assembly. However, he felt that the CC clique is not defeated by any means. He said that he was interested in steps which might be taken to reorganize the State Council and the Executive Yuan. He feared that in such reorganizations, the Government might try to block the Communists from coming into the Government by offering various positions in the Government to the liberal elements.

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<sup>37</sup> December 18, *United States Relations With China*, p. 689.

<sup>38</sup> American journalist and author.

General Lee said that the Government should reform itself and then try to eliminate the CC clique; this might open the way for peace negotiations with the Communists in the future. He further suggested that there are two steps the Chinese Government may pursue: 1) To invite a large number of American advisors with experience to install a government system in China and train the necessary personnel. 2) To train a group of professors and scientists for participation in the Government. General Marshall said Dr. Stuart seemed to think along the same line. However, General Marshall felt that such a large group of American advisors in China would arouse much criticism from the Chinese and also from other countries. He pointed out that good budgetary and auditing systems are extremely important and are very difficult to establish. At the present, General Marshall felt that the Chinese Government cannot purify itself unless there is an opposition party. Much of the graft and bribery in the lower levels among the local governments can only be revealed by the searching attacks of an opposing party residing in those localities. General Marshall expressed the opinion that young college men might be trained to be inspectors and brought into the Government by paying them a suitable wage. However, he felt that the idea of a large group of American advisors was impractical. General Marshall then asked General Lee whether the Communists still wanted peace. General Lee replied affirmatively.

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Dr. Peng Hsuehpei*<sup>39</sup> at No. 5 Ning Hai Road, Nanking, December 20, 1946, 10:30 a. m.

Also present: Colonel Underwood

Dr. Peng stated that the Presidential Statement of 18 December has been read from an English translation to the Generalissimo and to Dr. T. V. Soong. Dr. Peng considered the statement fair and highly informative. He felt that the Chinese people themselves would derive benefit from the statement, since they were not fully informed regarding the scope and importance of General Marshall's efforts. Even though General Marshall had not attained his political objectives, he had helped the Chinese to approach maturity in their political thinking.

General Marshall mentioned that Dr. Pfeffer [*Peffer*] of Columbia University had reported that most liberals and educators and many

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<sup>39</sup> Minister of Information.

top-level businessmen and bankers in China now felt that the United States had caused the prolongation of the civil war in China by the material assistance which it had given to the National Government. General Marshall also stated that there appears to be a growing solidarity of feeling within China against the Kuomintang Government. Much of this feeling is directed against the United States at present because of the strong anti-American Communist propaganda. However, the National Government should expect this feeling to shift directly against the Government in the near future.

He referred to the great public debate now developing in the United States as a result of the Luce-Howard pro-Kuomintang campaign and the counter-campaign calling for withdrawal of all assistance to the National Government. One of the chief effects of this development in the United States would be the exposure of much of the evil and corruption of the Kuomintang. He advised Dr. Peng to make all Government press releases conservative in tone and factually honest. The National Government could not afford to indulge in the propaganda tactics of the CCP. Kuomintang party papers could continue to follow the party line, but Government releases should stress accuracy and detachment. This action would have a tremendously beneficial effect on foreign correspondents.

General Marshall said that he was thinking of military releases as well as political information. Although recognizing the great difficulties involved, he felt that Dr. Peng should act vigorously within the Government to prevent official endorsement of inaccurate and inflammatory statements by military commanders. The Ministry of Information could express opinions freely but should adhere strictly to honest reporting of facts.

Dr. Peng asked General Marshall if the National Government should make a public response to the Presidential Statement. General Marshall had not given the matter much thought, but considered deeds more important than words. Ignoring the statement would produce no benefits and making only a brief reference to the statement would appear curt, while a lengthy reply might be taken as so many meaningless words. It would be necessary to strike a balance and to seek a favorable occasion. General Marshall suggested that an address by the Generalissimo to the final session of the National Assembly might be the proper place to insert appropriate remarks concerning the Presidential Statement. Dr. Peng agreed and thanked General Marshall for his advice.



Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Dr. Peffer at No. 5 Ning Hai Road, Nanking, December 20, 1946, 10:45 a. m.*

Also present: Colonel Caughey

Dr. Pfeiffer opened the meeting by stating that he had traveled widely through China, renewing contacts with the many people whom he had learned to know during his twenty years of visiting China; that he had discussed current problems with these people who represented all parties and all walks of life. Dr. Pfeiffer said he tried to be objective, and as a result of his discussions and observations, had concluded that the best course for the United States to take, under the circumstances, is to withdraw the military completely, including Executive Headquarters, Marines, and the Advisory Group. As a foundation for this conclusion, Dr. Pfeiffer continued by stating that he was startled by anti-American feeling which is prevalent among all Chinese. This feeling is not based on any party line. As an example, he referred to a Lady Cripps' dinner party at which, although he, an American, was present, an anti-American tirade reached a pitch which necessitated his withdrawal therefrom.

Dr. Pfeiffer stated that it is natural for the Communists to be anti-American because of the intense Communist propaganda, but that he found the same feeling among all other Chinese groups, particularly among the liberals who feel that U. S. assistance in backing the Kuo-mintang prevents governmental reform and who feel that if the United States does assist China, it should be done in such a way as to force and direct governmental reform.

Dr. Pfeiffer continued by stating that the consensus among Chinese was that we actually were not helping China since civil war was continuing, and therefore raised the question as to why United States forces are here. Dr. Pfeiffer added that these same Chinese, if pressed and if inclined to give an honest reply, would say that they know the real reason; that is, the United States is afraid of Russia, and desires to retain a foothold in China for use as possible future bases.

General Marshall asked Dr. Pfeiffer what his reaction would be to the military withdrawal he just suggested if a good constitution were adopted, a genuine governmental procedure for the benefit of the people were adopted, and a genuine reorganization in the Government, particularly the Executive Yuan, were instituted. Dr. Pfeiffer replied that the odds were five to one that the three things just mentioned by General Marshall would never come to pass, but that in order to capitalize on the one chance, he still felt that the Executive Headquarters, Marines, and Advisory Group should be withdrawn: that this, in effect, would assist in causing these three things to come to pass.

General Marshall then told Dr. Pfeiffer that Dr. Stuart had stated that Dr. Pfeiffer was resentful of the "luxurious" living conditions afforded Americans of Executive Headquarters. General Marshall continued by outlining the difficult circumstances under which these people worked and lived: that several had been wounded; that many had been evacuated for medical reasons; that these people were going ahead with their work in the face of duplicity which threatens their lives. With respect to Marines, several have been killed.

Dr. Pfeiffer hastened to add that he, personally, did not feel resentful, and that he was merely reporting the Chinese attitude to those members of Executive Headquarters living in Peiping. Dr. Pfeiffer stated that it was unfortunate and the reaction is probably based on what he thinks is a growing psychological trend among the Chinese against Americans in general, and against U. S. assistance to the Kuo-mintang in particular.

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711.93/12-2046 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, December 20, 1946.

[Received December 20—7:10 p. m.]

2140. Wang Ping-nan, Communist spokesman at Nanking, said [on] 19th that Yen-an would officially reply to Truman's China statement. Told correspondents his personal views were:

"There is urgent need at the present moment for true peace, democracy and unity. Only a peaceful China can contribute to world peace. If United States is sincere in her desire to promote peace in China, then she must stop immediately all unilateral assistance to the Kuo-mintang and withdraw completely all American troops from China. If she does that, I believe she would be of great help in terminating China's civil war."

STUART

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Professor Chou Tsien-chung*<sup>40</sup> at Nanking, December 21, 1946, 11 a. m.

Also present: Colonel Underwood  
Captain Soong

Professor Chou stated that he had conferred with Mr. Tung Pi-wu on the preceding day. Mr. Tung reaffirmed the desire of the CCP for resumption of negotiations and for earliest possible attainment

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<sup>40</sup> Member of the Young China Party.

of unity and democracy in China. Mr. Tung claimed that General Chou En Lai had intimated as much in his recent speech on the anniversary of the Sian incident. In response to Professor Chou's inquiry, Mr. Tung stated that the CCP still considered General Marshall impartial and still desired his mediation. Mr. Tung restated the CCP hope for a new inter-party conference after the adjournment of the National Assembly, followed by a wholesale reorganization of the Government. He insisted that the CCP still desired to cooperate in the resolution of outstanding military and political problems but would demand application of the PCC resolutions and the formation of a coalition government.

Professor Chou referred to his recent conversation with Dr. Lo Lung-chi who said that General Marshall had asked if the Democratic League would join the reorganized State Council, if the CCP boycotted same. General Marshall stated emphatically that he had asked Dr. Lo no such question and that his remarks had been confined to emphasizing the critical need for a unification of all liberal parties under patriotic and unselfish leadership.

Professor Chou stated that Mr. Li Huang <sup>41</sup> had told him that General Chou En Lai's position within the Communist Party had become quite embarrassing since his return to Yen-an. The CCP blamed General Chou En Lai for excessive criticism of the minority parties and charged that his tactics had driven some of these parties into the National Assembly. General Chou En Lai was reported to have claimed that the true blame should rest upon Mr. Cheng Shen-fu, CCP representative in Shanghai, who had advised that a rigid stand by the CCP would bring the minority parties into line. Professor Chou claimed that these events proved the CCP fear of isolation and formation of an anti-CCP front in China.

Professor Chou referred to his recent discussion with Mr. Carsun Chang. The latter considers himself in a very difficult and awkward position at the moment as a result of Socialist Democrats' participation in the National Assembly while the Democratic League had refused to join the Assembly. Mr. Carsun Chang claimed that the President of the Democratic League had consented to participation in the National Assembly by the Socialist Democrats.

Professor Chou then stated that the Young China Party which he represented earnestly desired renewal of negotiations under the leadership of General Marshall and Dr. Stuart.

General Marshall read from a front page article in the *Shanghai Evening Post* concerning the Young China Party's program for reviving negotiations. General Marshall asked if the Central Standing

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<sup>41</sup> Co-chairman of the Chinese People's Political Council and member of the Young China Party.



Committee of the Young China Party had developed any concrete recommendations for revival of negotiations. Professor Chou replied negatively, stating that the Young China Party hoped for peace but considered the means and methods of obtaining peace to be General Marshall's responsibility. He claimed that all minority parties and the majority of the people of China had faith in General Marshall. Moreover, General Marshall knew the military situation thoroughly and was the only one who could solve the foremost problem, namely the formation of a National Army. Professor Chou considered this problem primarily a tactical one. General Marshall replied that the tactical phases of the problem were simple; that the real difficulty lay in the political aspects and fears.

General Marshall then discussed at length the fateful mistakes of the Communist Party in playing directly into the hands of the reactionaries in the Kuomintang. Solution to the problem in China required handling the reactionaries in the National Government and dispelling the deep distrust of the Communist Party in the actions of the Government. As he saw it, this problem could only be solved by the formation of all minority parties into one patriotic, highly organized, liberal party under selfless leadership and devoted to peace, genuine democratic government and maintaining the rights of the people. He deplored the present selfish leadership of the various minority parties, which he regarded as the primary obstacle to the formation of a truly liberal party.

General Marshall commented how difficult it was for an American to understand things Chinese. Many issues which appear trivial to an American assume tremendous importance to the Chinese. However, he hoped that he could break through one phase of Chinese psychology. He was looking for a Chinese who would be willing to sacrifice his face for the good of China. He would back such a man completely. Although such a man might temporarily lose face in China, he would eventually gain face for himself and China throughout the world. General Marshall observed that many Chinese would give their lives for a good cause but not their face. He asked if Sun Yat Sen had not lost face many times during the course of his struggles. Professor Chou replied affirmatively, stating that he was practically driven out of Canton by the people in 1923 when headed for peace talks in Peiping.

Professor Chou asked if peace negotiations could begin again after the closing of the National Assembly. General Marshall did not know the answer to this question. In reply to Professor Chou's next question, General Marshall stated that he had only seen Governor Chang Chun socially. Professor Chou then asked General Marshall to state the real intentions of the Generalissimo at the moment. General Mar-

shall replied that although he had a slight inkling of the Generalissimo's intentions, he could not discuss same. Information given him in confidence by the Generalissimo should only be revealed by the Generalissimo.

Professor Chou asked if the United States would grant the five hundred million dollar loan after the formation of a coalition government. General Marshall replied affirmatively, provided China actually, in fact, had formed a genuine democratic government. Professor Chou asked if any progress could be made by the formation of a coalition government with seats left open for Communist participation. General Marshall indicated that such a government could at least make a start in the right direction.

Professor Chou confided in General Marshall that General Chen Cheng had recently instructed the chief Kuomintang delegates to the National Assembly to make concessions regarding the constitution since these concessions would be more than regained by the Kuomintang after the close of the National Assembly. The meeting terminated with Professor Chou once more expressing the hope of the Young China Party for peace.

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893.00/12-2146 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, December 21, 1946.

[Received December 21—1:11 p. m.]

2153. Remarks by Wang Ping Nan, Communist Party representative in Nanking, to foreign correspondents on evening [of] 20th:

"We will never recognize National Assembly and its constitution. The Government has not accepted our two conditions. If the Government finally rejects the Communist demand for restoring the January 13th military *status quo*, we will use force to shatter Chiang Kai-shek's offensive and achieve our demand. We have full confidence that we can succeed. The Kuomintang economic crisis is getting worse and every month we annihilate at least 6 to 7 Kmt brigades. Best thing for Kmt to do is accept our two conditions as they are heading for ultimate defeat.

Government probably will start another peace offensive in reorganizing the Government but we will not be in the least interested. It is all window dressing and deception."

Described draft constitution as "neither PCC nor democratic, merely Kmt one-party draft constitution. Communist Party will not be bound by constitution and will not recognize National Assembly because the Communist Party represents one-third of the Chinese population and did not participate in it. History will prove Communist boycott of National Assembly was right."

STUART

893.00/12-2146

*The Ambassador in China (Stuart) to the Secretary of State*

No. 351

NANKING, December 21, 1946.

[Received January 9, 1947.]

SIR: I have the honor to report the reply which General Marshall had asked for from Yen-an (see my despatch no. 305 dated December 2, 1946) and the consultations which have resulted from it.

On December 5 the following message was delivered to General Marshall:

[Here follows text quoted in memorandum of December 4 from Mr. Tung Pi-wu to General Marshall, printed on page 590.]

He and I agreed that this seemed in effect to indicate the desire of the Communist Party to terminate American mediation and indeed any further attempts to obtain a negotiated peace. For they must be well aware that these two conditions could not possibly be accepted by the National Government. It is worth noting also that they differ in part from the three published earlier by the Communist Party and confirmed by Mr. Tung Pi-wu as reported in despatch no. 305. The new stipulation demanding a return to the military dispositions as of January 13 would never be consented to by the Government and would in any case involve much wrangling and lengthy periods for the actual transfers of troops, transportation facilities being as disrupted as they now are in this country.

General Marshall then asked for my opinion and I advocated for consideration an American policy which might be summarized as follows:

1. The reorganization of the Government armed forces under General Marshall's direction so as to reduce their numbers as rapidly as might be safely done while improving the quality through training and equipment. This would be on the condition that there would be no aggressive action against the Communist Party, but only defensive measures and the maintenance of local peace and order. Of course it would be extremely difficult to distinguish between attacking Communists and suppressing bandits or engaging in self-defense, but it was not impossible and would be immensely worthwhile. If the Communist Party really sought protection they could not have any surer guarantee of this than to have General Marshall in control of the National troops. As to whether they would continue their destructive sabotage and guerilla warfare or be contented with freedom from interference in their local administration—which seems to be what they really care for most—only time would tell. Conditions would probably vary with time and place. I thought, however, that such a procedure might do more to bring about their cooperation with the Government than anything else.

2. Insistence on drastic reforms in civil administration, especially in its local aspects. This was the only way to win ultimately over Com-



munism. On our part it might involve advisers in budgetary, taxation and other fiscal matters, with a large measure of authority. It would call for tact, persistence and concrete information. But I felt by no means unhelpful both as to such assistance being welcomed, and as to the potentialities of genuine and lasting improvement. As in the military aspect of the task it would be a very great positive assistance to China and should make for stability in this part of the world.

3. The unceasing encouragement to the Communist Party to reconsider their present intransigent attitude. The door should be left widely and unmistakably open to them.

On December 7 Dr. T. V. Soong called to discuss the Yen-an reply. Later that morning Mr. Wang Ping-nan came for the same purpose. I told him that we could only regard this as tantamount to breaking off negotiations. He admitted the difficulty but insisted that the Communist Party did really desire a peaceful settlement and with American mediation. I urged that in this case the best course would seem to be for both sides to agree to resume the conferences without imposing any conditions.

The next appointment was with President Chiang who also wished to know our reaction to the Yen-an message. After discussing this, he spoke frankly of his conviction that the Communist Party issue must somehow be settled within the coming year because of the danger of Russian activity in Eastern Asia once she became less preoccupied with her western border problems. He felt that he had this responsibility not only to his own people but to the cause of world peace as well. He was convinced that the military strength of the Communist Party could be shattered in from six to ten months, and added that if he did not have good reason for this opinion he would wrong his people by recklessly adding to their hardships. He looked upon any further attempt to settle the Communist problem as hopeless, although he stood by his promise to keep the way open and to use all means to this end. He eagerly desired American assistance and believed that the larger issues at stake amply justified this, but that if this could not be obtained he regarded it as his duty to go ahead unaided. He asked me to request General Marshall to continue on as his personal adviser. I pointed out the impossibility of this and of any American help in the event of civil war. This left President Chiang in an unhappy quandary.

I have seen President Chiang several times subsequently and he has been having quite a struggle within himself and with his reactionary associates as to whether to employ armed force in an all-out determination to crush the military strength of the Communists or to follow our advice to limit his troops to self-defense and the maintenance of local order while putting all his efforts on constructive reforms and economic recovery.

Respectfully yours,

J. LEIGHTON STUART

Marshall Mission Files, Lot 54-D270 : Telegram

*Lieutenant General Alvan C. Gillem, Jr., to General Marshall*

PEIPING, 22 December 1946.

89. Communist Branch continues to delay in establishing a realistic and dignified basis for U. S. Branch Liaison at Harbin. Communist Branch at Peiping was informed on 21 December that liaison personnel would be withdrawn to Changchun on 23 December for the holidays. (We have no intention of reestablishing this liaison until Communist Branch offers a proper basis for reentry.)

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and General Li Wei-kuo<sup>42</sup> at No. 5 Ning Hai Road, Nanking, December 23, 1946, 6 p.m.*

Also present: Col. Underwood

General Li informed General Marshall of recent actions by the National Assembly to complete the new constitution. General Marshall commented that he was becoming increasingly disturbed that the National Assembly and the Government might indulge in excessive changes in China's laws and procedure. He observed that China already had many good laws and that the prime need was for honest, thorough enforcement. The means of obtaining effective execution of the law presented a difficult problem, closely related to the further problem of making proper use of the capable young men of China.

General Li compared the Generalissimo to Mr. Stalin with respect to type of advisors. The Generalissimo relied on the old associates of his revolutionary days, while Mr. Stalin had surrounded himself with younger, more modern advisors. General Marshall noted that the Generalissimo was actually served personally by young men, but in a crisis always turned to the reactionary or conservative elements in the Kuomintang for guidance. General Li hoped that General Marshall would find an opportunity to criticize these irreconcilables. General Marshall replied that a vigorous attack on these elements might well constitute the best service which he could render China at this time. General Li agreed.

General Marshall discussed the need for organizing the liberal progressive elements into a single patriotic party. A truly liberal party represented China's best hope. It was imperative, one way or another, to destroy the reactionaries' control of the Government and the associated feudalistic state of mind in the Government. It was com-

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<sup>42</sup> Chinese Vice Minister of the Kuomintang Ministry of Information.

pletely possible that the Generalissimo, himself, would lead such a liberal movement, if properly organized.

General Li stated that it would be most difficult to obtain the permission of the Generalissimo to organize openly a new liberal bloc. General Marshall referred to his recent efforts to achieve a coalition of the minority parties. He had suggested the formation of a steering committee containing representatives of the minority parties, but controlled by trusted, respected, selfless, non-party men. He had considered Mr. Hu Shih, President of Peking University, and Mr. Hu Lin as possible selections. He had also considered Mr. Mo Te-hui, although he was not impressed at present by Mr. Mo Te-hui's political illness.

General Li stated that while attending the United Nations Conference in San Francisco, he had talked confidentially to members of the CCP and the Young China Party. He found that the younger men in the Communist Party were dissatisfied with Communist reactionaries, just as the younger men of the Kuomintang were dissatisfied with Kuomintang reactionaries. They had agreed that the time would come when young liberals would step over party lines to act in concert for the good of China.

General Li described his associations with the Generalissimo since 1931. In 1931 and 1932 the Generalissimo had faith in young members of the party and selected three to fill key positions in the Government. Unfortunately these three men either blundered or proved to be dishonest. As a result, the old reactionaries in the party were able to discourage the Generalissimo from reliance on young men. This attitude prevailed until the outbreak of the war with Japan. During and since the war the Generalissimo has shown an interest in training young men in statecraft. However, General Li felt that the Generalissimo should also give these young men a chance to render advice and to operate directly. His failure to do so stemmed from his deep fear of a split within the Kuomintang. His recent harsh speech to the party regarding the draft constitution indicated his desire to hold members in the party against their will. In this connection Mr. Hu Lin hoped for a split in the Kuomintang and would be willing to join the liberal faction, if the Generalissimo would permit this faction to operate openly within the party. General Li did not believe that the Generalissimo would permit free expression and activity within the party.

General Li believed that General Marshall's mission required the following two actions: First, he should convince the Communists that a party army should not be used to attain political ends; secondly, he should modernize the Generalissimo mentally and persuade him to lead a new revolution of progressive, liberal elements. General Mar-



shall took issue with the first point. The Communists were retaining an army primarily because of fear of extermination through secret police and other terroristic organizations. In this connection he cited the deplorable beating of Communists in Chungking and the recent beatings of non-Kuomintang people in the Nanking Railroad Station.

General Li wished that General Marshall could influence the Generalissimo to travel to the United States, where he could see Congress in action and could see democracy at work. Moreover, he could observe the relation of the American Government to industry. He could also witness the workings of the American Civil Service. General Marshall did not believe that mere observation would convert the Generalissimo to democratic processes. It would probably be better if the Generalissimo had near him a great student of constitutional government and democracy who could constantly press those issues.

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893.00/12-2346: Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, December 23, 1946.

[Received December 24—4:15 a. m.]

2161. Following is statement released by Lo Lung Chi, spokesman of the Democratic League, in connection with President Truman's broadcast speech:

President Truman's broadcast speech is a reaffirmation of the American policy on China as announced by him on December 15, last year and deduced from the joint declaration issued by the three Foreign Ministers in Moscow.<sup>43</sup> If his statement could be released at a much earlier date, it could benefit China much more and certainly reduce much of the doubts and criticisms on the United States policy.

The Democratic League still favors the implementation of the PCC resolutions. But unfortunately they have been violated by the Government.

Since all the parties do not participate in the National Assembly, the constitution passed by it will not likely be accepted by them or by the people.

Even if the Government is reorganized, it is very doubtful whether all the parties will take part in it. So there is every likelihood that the civil war will increase in scale and intensity.

As to the plan for solving the disputes in China, it is hoped that the friendly powers will observe the declaration of the three Foreign Ministers in Moscow and that America will strictly follow the second

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<sup>43</sup> December 27, 1945; for correspondence, see *Foreign Relations*, 1945, vol. II, pp. 560 ff.; for section IV of the Communiqué by the Three Foreign Ministers, which deals with China, see *ibid.*, p. 821, or Department of State *Bulletin*, December 30, 1945, p. 1030.

statement of President Truman. Only by the observance of the above announcements will peace be restored in China. With the restoration of peace, the friendly relations between China and America will be restored and improved.

STUART

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893.00/12-2346 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, December 23, 1946.

[Received December 24—4:35 a. m.]

2162. Following is a statement issued by spokesman of Youth Party in connection with President Truman's statement:

"The principal idea for President Truman to issue a statement on December 18 was to reaffirm the American policy on China as disclosed by his previous statement released on December 15, 1945. Under the policy of non-intervention in Chinese internal affairs and the recognition of the National Government, America is to help the Chinese people to gain peace and economic recovery. Naturally her policy receives our hearty endorsement.

President Truman stressed that, if China is really on the road of peace and constitutional government, America is prepared to give every assistance.

He added that the political program as drawn up by PCC in January was quite sound. So were the principles underlying the plan of military reorganization and integration agreed upon in February.

America has a perfect understanding and a definite idea of the ways and means to solve the military and political problems confronting China today. This is worth noting by the Chinese inside and outside the Government.

That General Marshall will continue to stay in China and to mediate between the Government and the Communists has also been alluded to by President Truman. The allusion is welcomed by the Chinese. We hope that he will complete his mission in the earliest possible date.

However, the power to solve the disputes in China mainly rests with the Chinese. It is hoped that the nation as well as quarters concerned will work together to seek a fundamental and speedy solution of the disputes so as to fulfill the hopes and desires of the American Government and its people."

STUART

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893.00/12-2346 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, December 23, 1946.

[Received December 24—4 a. m.]

2165. Following from Yenan December 18:

Communist leader Chou En Lai predicted today that new and

vigorous elements in Kuomintang, now working unnoticed underground, would rise soon to throw off the yoke of extreme right leadership. When that time comes, other democratic and left wing elements of the nation would join together to make a solid progressive front.

"The Communists will have broken the back of the Kmt military offensive in 6 months and within a year sweeping changes will be effected in China's overall governmental and economic structure." He said he had received no reaction either from General George C. Marshall to his recent telegram outlining the two points—abolition of the National Assembly and return of troops to January 13 *status quo*—on which Communists would resume Nanking negotiations.

Asked whether the Communists were decided if Gen. Marshall should remain in China, he replied "Certainly not. It is up to the United States to determine that." He said further: (1) He believes that the Government would be unable to start an effective offensive in Manchuria this winter due to an insufficiency of reserves both inside and outside the area.

(2) The Government would concentrate on two offensive goals, the central portion of the Lunghai railway and north Kiangsu where they are suffering a bad beating. (3) The aim of the Communist military campaigns during the next few months would be to restore the January 13 positions but Yen-an will not feel limited to this. Should the Government accede to Communist wishes for the resumption of parleys to form a coalition government, the Reds would be "fully prepared" to evacuate their troops from Harbin, Tsitsihar, Chefoo and elsewhere.

"We are perfectly willing to let the people rule themselves under a democratic government. We have no desire to keep troops and cities," Chou said.

He suggested that a close watch should be kept on Shanghai this winter. When the American ships released by the end of the maritime strike begin unloading, many small and large businesses and industries would be hit.

The Communists are certain that they can secure the support of the people to win any political battle during peace time. For this reason they are eager to end civil strife.

The present conflict was not of their own choosing but was "forced upon us by the four Kmt families of Chiang, Soong, Chen and Kung who know [no?] other methods of safeguarding their enormous wealth".

He said negotiations were in progress in both Nanking and Washington for a sizeable government purchase of munitions. The order would reach at least 200 million dollars, he said.

America would soon be isolated among the family of nations if it persists in its present China policy, he said. The nation which boasts



so proudly of democracy was singularly unwilling to see this form of government disseminated in the Far East, Chou added, and continued that the United States should recall its own days in its struggle freedom with shame if it failed at this critical moment. The political situation remains unchanged as far as Yen-an is concerned. The Communists were not surprised by the failure of the Kmt to accept their two conditions. Chou remarked wryly, however, that these conditions were hardly "preposterous" since they were identical with the agreements signed by the Government, the Communists and General Marshall last January.

The Communists have not altered the line which they have maintained during the past 11 months which, he said, was the adherence to the principles of the future democratic and constitutional government as agreed upon by the interparty conference.

Only the Kuomintang has strayed from this path, he charged, largely because the United States has given moral, financial and military backing to it.

STUART

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893.00/12-2446 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, December 24, 1946.

[Received December 24—8 a. m.]

2174. Dr. Chen Li Fu, Kmt Minister of Organization, December 23 stated National Government as well as Kuomintang will retain their present status in transitional period between promulgation of China's new constitution, which has been set for January first, and its enforcement when the next National Assembly convenes and that during this period many practical problems, including the enactment of a number of new laws will have to be thrashed out in the present Assembly. During the transitional period the Assembly delegates whose tenure holds good until the convocation of the next Assembly will supervise the enforcement of constitutional government.

Chen stated that any opposition to the new constitution after it is adopted by any of the political parties which are not participating in the present Assembly will be referred to the people and not to the Government.

He said that the Communists' action in boycotting the Assembly has "no effect on the enforcement of the new constitution" and that he has had no information re the Communist request for a prolongation of the closing of the National Assembly scheduled for the 24th and added that non-participation of Communists indicates their willingness to give up their own rights.

Chen denied an attempt on the part [*part*] of the Kmt to organize a joint party and political committee, explaining that the party is only taking advantage of the opportunity presented by the assembling of party workers from various regions to discuss some routine matters of the party.

Chen said he has no information when the Government will be reorganized nor is he participating in any discussions concerning such reorganization but indicated that in case reorganization takes place during the transition period prior to the enforcement of the new constitution, his Ministry as well as the Ministry of Information will retain their present functions.

He denied he is participating in talks for reviving Government-Communist peace talks.

STUART

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and General C. P. Lee at No. 5 Ning Hai Road, Nanking, December 26, 1946, 6 p. m.*

Also present: Captain Soong

General Lee opened the meeting by stating that the National Assembly had finally closed yesterday after adopting a sound constitution. General Marshall said that the adjournment of the National Assembly on the 25th of December was prearranged. It was exactly 10 years ago that the Generalissimo left Sian.

General Marshall commented that he had carefully examined the text of the constitution with some American experts prior to the opening of the National Assembly, and had found it to be a reasonably democratic constitution. His chief concern at that time was whether the National Assembly would adopt the constitution without serious changes. Now that this constitution has been adopted, the prime question concerns degree and manner of enforcement. General Marshall pointed out that the passage of this constitution was only the beginning. General Lee said that the adoption of such a good constitution was entirely due to General Marshall's effort and that his presence is needed to insure implementation of the constitution.

General Marshall stated that the Communists had no desire for his mediation. He questioned whether his presence would do more harm than good. His presence in China might cause an increase in the anti-American propaganda since the present propaganda attack upon the United States was, in fact, an attack on him. Furthermore, his continued presence in China might increase the cleavage between the Kuomintang and the Communist Party. General Marshall said that

he would like to see the development of a truly liberal party which, in his opinion, was the present hope for China. However, such a liberal party would be extremely difficult to organize. With the adoption of the constitution, and the adjournment of the National Assembly, a liberal party was the only guarantee of honest reorganization of the Government and the enforcement of the adopted constitution.

General Lee stated that the Democratic League is going to have a meeting on January 6. He said that there are only three large minority parties—the Youth Party, the Democratic League, and the Democratic Socialist Party. He then asked whether General Marshall wanted to see Mr. Chang, the Chairman of the Democratic League Party, if the latter would come to Nanking. General Marshall replied that he would not ask to see Mr. Chang, because it would cause resentment among other political parties. However, if Mr. Chang wanted to see him, General Marshall would be available. General Marshall then said that the Generalissimo now needed support from sources other than the reactionary clique in the Kuomintang. He (General Marshall) believed that a well-organized, patriotic, liberal party, formed by a coalition of minority parties, would give the Generalissimo the kind of support he needed.

General Lee stated that in the Kuomintang there were four factions: 1) the CC clique, 2) the militarists, 3) the liberals, and 4) the political scientists. If Mr. Shao Li-tze, Dr. Wang Shih-chieh, Dr. Sun Fo and Dr. T. V. Soong could get together, they could defeat the CC clique easily. It is important to keep the CC clique separated from the militarists because together they would constitute a formidable bloc. General Lee outlined the possibility of joining all liberals in the Government with the political scientist group under the leadership of Governor Chang Chun. General Lee thought that it would be a good idea to retain General Chen Cheng because his military knowledge would facilitate reorganization of the National Army. However, General Lee felt that General Chen must adopt a more liberal viewpoint. He then emphasized that this could not all be done without the support of General Marshall. General Marshall said that one difficulty was the Generalissimo's reliance on the CC clique in moments of crisis.

General Marshall stated that the Communists had utilized the Executive Headquarters as their communications center. They have used the American equipment to make propaganda attacks against the United States and General Marshall. He believed that the Communists wanted to continue the Executive Headquarters only because of its communications. The Government wanted to continue Executive Headquarters because it would not want the United States to



withdraw from the negotiations. However, General Marshall felt that he would have to clarify this situation very soon.

General Lee said that the CC clique was not liked by the Chinese people. He believed that what the CC clique did for the Generalissimo could also be done by General Chen Cheng. However, he reiterated that General Chen must change his viewpoint.

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to President Truman* <sup>44</sup>

[NANKING,] December 28, 1946.

1891. DEAR MR. PRESIDENT: I have just concluded a 2-hour conference with the Generalissimo. Following the adjournment of the National Assembly, he wished to discuss with me the steps that might be taken in an effort to reopen negotiations with the Communists. Dr. Stuart and I had previously suggested that if a sound Constitution were adopted, which is the case, and the Government proceeded with the establishment of the State Council and started with a genuine reorganization of the Executive Yuan, then two or three representatives of the Generalissimo, men of importance and liberals, might well be sent to Yen-an to discuss matters with a view to reopening negotiations for the cessation of hostilities and the participation of the Communists in the reorganization of the Government, the matter to be done quietly without public announcement. However, there immediately leaked out, intentionally or otherwise, a statement of this purpose of the Government before its good faith had been at least partially established by the adoption of a sound Constitution in keeping with Political Consultative Council agreements. The Communists' reaction was, of course, unfavorable. Since then I have learned that the Communists would probably resent reorganization of the State Council and the Executive Yuan before any consultation with them, for the reason I suppose that they would feel that the door would already have been practically closed on any possibility of responsible participation on their part.

I therefore suggested to the Generalissimo that the visitation be carried out before the reorganizations just referred to. He agreed to my point of view and, in connection with my insistence that there be no public statements in advance, he wondered if it would not be advisable to consult the minority parties. I thought so but also thought that it would not be advisable for the Government to declare its position as this would inevitably result in a public leak and would

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<sup>44</sup> Copy transmitted to the Secretary of State by the War Department on December 29.

precipitate a propaganda war on the part of the Communists. I stated that I thought that the Government, if it took this action, should make a genuine effort, carefully avoiding any complications by military actions or public statements of a provocative nature, such as have wrecked our previous efforts time and again. He appeared to accept my suggestions and stated that as the minority parties were shortly to have a meeting of their executive councils in Shanghai he thought it would be best to wait until that had occurred.

The Generalissimo then asked me for my further comments on the situation. Stating briefly the substance of a lengthy presentation, I said that I thought it unlikely that the Communists would commit themselves to an agreement at this time because of their overwhelming suspicion of the military purpose of the Government to destroy them; that I felt that the Government military commanders were considerably in error in their optimistic estimates of what they could do towards the suppression of the Communists, citing the statements of last June that the province of Kiangsu could be cleared in 2 months and it had not yet been cleared and, at the same time, that the Communists could be brought to terms in a military way within 3 months and that had not occurred after 6 months; and that the Government refusal to terminate hostilities in order to force the Communists to commit themselves to the attendance of their representatives at the National Assembly had failed of its purpose. Therefore, I felt that it was important that his military leaders not be permitted to destroy by statements or actions the possibility of successful negotiation, to which I felt they were inalterably opposed.

I stated that if the Communists would not re-enter into negotiations, then it was most important for the Government to go ahead immediately with its reorganization, leaving the door open for Communists' entry and that of the Democratic League allied with the Communists. I felt that the Generalissimo, by his leadership in the National Assembly in opposition to the reactionaries, which had secured the adoption of a reasonably sound Constitution, had gained a great moral victory which had rehabilitated if not added to his prestige. Therefore, it was most important that he now demonstrate that the Constitution was not merely a collection of words and that he was determined to institute a democratic form of Government. Therefore he should proceed without delay in the reorganization of the State Council with a conspicuous presence of liberals from the Kuomintang and with vacancies left for the Communists and the Democratic League. Also that he should start at once in the reorganization of the Executive Yuan. But the most important point I made was that he must by his own indirect leadership father a coalition of the minority groups into a liberal party; that unless there was such a sizeable minority group,

his efforts in the National Assembly to secure the adoption of a sound Constitution would be regarded as mere camouflage of the intention to go ahead with the one party Government. Also, that [if] the various minority groups of themselves could not manage an amalgamation, such would require his active assistance. And, also, that he should call on their leaders to nominate men for various appointments rather than to follow the past practice of neutralizing the opposition leaders by bribing them off with attractive appointments. I emphasized the fact that if he did not take such action there could be no genuine two party Government. Therefore his integrity and position would be wide open to serious attack. On the contrary I felt that the organization of the minority parties into a large liberal group would be of great assistance to him and that he could move more into the position of the father of the country rather than to continue merely as the leader of the Kuomintang one party Government. I emphasized this in every way within my power because I am convinced that this is the key to the immediate future in China.

I went on further to state that I felt that if the Communists declined to reopen negotiations—in other words if they repulsed the effort of the Government—if and provided the Government was not guilty of provocative statements or actions, then I thought the time had come to begin the dismantling of Executive Headquarters. I was already of the opinion that the Communists no longer had any intention of accepting American mediation along the former lines and that I was definitely *persona non grata*. Under these circumstances I felt that their recently expressed desire for the continued operation of Executive Headquarters had for its purpose maintaining the American air facilities for communication with the scattered Communist forces throughout North China, its representatives in Nanking, Shanghai and Chungking, and its people in Harbin. I had but recently directed the withdrawal of our representative from Harbin because he was allowed little liberty of action or movement and I felt that his continuation there was merely a convenience to the Communists, providing them with air passage to and fro on the weekly plane.

The Generalissimo expressed complete agreement with my ideas as to a liberal party. He gave no expression to his reaction regarding Executive Headquarters. I think he recognized the situation much as I did.

About 2 weeks ago he had a long discussion with me, seeking to persuade me to accept the position of Advisor to the Chinese Government and guaranteeing his full backing of my position. I explained to him that I could not favorably consider such a proposition for a number of reasons. In the first place my acceptance of such a position



would tend to stultify what I had been doing in my effort to mediate between the Communists and the Central Government. Also I felt that so much of anti-American feeling had been developed by outrageous propaganda distortion or complete misrepresentations of the facts that my position as Advisor would be very seriously affected, and further, that within the Government the reactionaries and the military group were antagonistic to almost every idea I had and if I could not overcome them in my present position, I certainly would have a limited chance to do so in the position of Advisor. What I did not say to the Generalissimo was that I felt there was bound to be a consideration in the matter of holding me here to increase the possibility of American support and to indicate the United States Government's heavy backing of the Kuomintang Government.

As matters now stand, I foresee these developments: The Communist Party will refuse to reopen negotiations and the Government will probably resort to aggressive military action to reopen the railroads. Under these circumstances I think Executive Headquarters should be reduced to a mere cadre and the American participation in its purposes for mediation should terminate. This would immediately facilitate the withdrawal of the Marines from Tientsin and Peiping. At the same time I think I should be recalled. I am of the opinion that I can do much to destroy the power of the reactionaries and bring a liberal element into control of the Government by a frank statement of [on] the occasion of my arrival in the United States, and, at the same time, I will be in a position to paint the Communist picture of misrepresentation and vicious propaganda efforts against the United States in such a manner I hope as to weaken their position and give a little guidance to misinformed people at home. It is rather paradoxical to find that at the present time a large number of the university and business groups have been so naive in their acceptance of propaganda that they have become honestly convinced that the United States is responsible for the continuation of the civil war and that I personally have directly contributed to that situation. The surplus property and lend-lease transactions play a large part in this. Fortunately, Dr. Stuart has been built into a position where his services in negotiations will almost automatically continue to be sought by all sides and will increase in importance as time goes on. While even his integrity has been questioned, nevertheless I feel that he can triumph over that phase of the situation. It is quite clear to me that my usefulness will soon be at an end for a variety of reasons. I have continued on since the break in negotiations in order to make certain that a respectable Constitution was adopted. The initial outlook was very depressing and I had to make it unmistakably clear that anything less than a fair approximation of the fundamentals

agreed upon by the Political Consultative Council would be fatal to the National Government so far as the United States was concerned. Now that the Constitution has been adopted there is no real place for me in the coming maneuvers to reopen negotiations and my continued presence will constitute an embarrassment to future adjustments, especially if I speak out frankly as I feel I must, which will generate bitter feelings among many on both sides. It is now going to be necessary for the Chinese, themselves, to do the things I endeavored to lead them into, but I believe I can strengthen the position and influence of the better elements by the procedure I have indicated.

G. C. MARSHALL

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893.0011/12-2946 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, December 29, 1946—2 p. m.  
[Received December 29—6:10 a. m.]

2198. National Assembly on December 25 adopted the new constitution of China in substantially the same form as it was originally presented to it. There were no changes which alter the theory or substance of the form of government as constituted, though there were several minor changes in the wording of certain articles and some articles were omitted, such as those referring to the location of the capital and making the United Nations Charter an integral part of the constitution.

The Assembly further passed resolutions providing that the new constitution will be enforced on December 25, 1947; that the Government during the next 3 months' period will draw up election laws and will abrogate all laws now on the statute books which are in violation of the constitution; and that elections themselves must be completed within 9 months. Meanwhile the present Assembly will continue in power until the new one takes office.

It is assumed that the Government will proceed shortly to the reorganization of the State Council and the Executive Yuan for the interim period, and it is not unlikely that an attempt will be made to send emissaries to Yen-an to seek Communist cooperation, though recent Communist statements do not suggest there is much hope of success.

In retrospect, the Assembly now seems to have started with very considerable enthusiasm on the part of most delegates who believed that they would, in fact, have a free opportunity of changing the Government-sponsored draft constitution. As it became increasingly apparent that this would not be so, interest flagged in many delegates

and many sessions drew less than 50 percent attendance. In the earlier stages of the Assembly there were definite and formidable attempts by certain groups to alter the draft as proposed. The greatest revolt came from the C-C clique and for a time there were indications that it might prove successful. In the end, however, the Generalissimo imposed his will, assisted by almost all other groups and individuals other than the C-C clique, who all joined to oppose the extreme right. The Assembly ended with the Generalissimo in full and confident control of the situation, thus perhaps making it one of his greatest political victories. He now has an opportunity of proving his avowed intention of taking the preliminary steps toward the establishment of a multi-party government for the interim period.

An interesting sidelight on the Assembly was cast by Dr. Sun Fo in a conversation with Nathaniel Peffer. About 2 months ago, Dr. Sun Fo had said that he had come to the conclusion that the Kuomintang was "incurable" because its leadership was incurable. He was at that time also hopeful about the Communists and their intentions. Peffer saw Sun Fo again a few days ago and the latter's attitude had changed considerably. He said that what the Assembly had demonstrated was that the party machine controlled by the C-C clique was not the all-powerful organization that it was supposed to be, that Assembly delegates had been shocked into political life by the fact that the revolt came from within the party and not from the outsiders as had previously been assumed would be the case—that even party members could not be trusted to stand without hitching. Dr. Sun felt this was indeed a hopeful sign. He also thought it had taught the Generalissimo the utility and even the necessity of at least listening to minority groups and perhaps even of making substantial concessions to them in order to secure and maintain their support for the purpose of keeping the party machine in line. Dr. Sun had also lost all faith in the Communists because of his negotiations with them in recent weeks, during the course of which he felt that they had completely demonstrated their lack of sincerity and honesty.

STUART

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893.00/12-3146 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, December 31, 1946.

[Received December 31—6:52 a. m.]

2212. Summary [of] remarks by Minister of Information Peng Hsueh Pei at weekly press conference December 30th:

Chinese Ministries for Information, Organization and Overseas



Chinese Affairs will continue as Kmt Party units and not become official Government agencies with adoption [of] new constitution.

Queried for clarification his own position, Peng replied, "I consider myself as spokesman of National Govt today but I don't know what I will be next week".

Expenses of these three Ministries hereafter will be paid from Kmt funds entirely and not from Govt Treasury. Old provisional constitution still is valid until new constitution becomes effective next Christmas Day so that party officials will continue to exercise certain official functions until that time.

Govt already has asked minority parties which were represented in National Assembly to share in reorganized Govt. Similar invitations will be extended to Communist Party and Democratic League "when and if they express signs of willingness to participate".

Young China Party and Social Democrats now holding meetings to decide on participation with Kmt in broadened National Govt. Not asked yet to submit their nominations for offices.

Queried about press reports that Democratic League officials had been invited to go to Yen-an for purpose of asking Communists to resume negotiations, Peng replied, "I have not heard of that".

Denied rumors of pending adjustment of official rate of exchange, declaring they were "absolutely unfounded".

STUART

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and General C. P. Lee  
at No. 5 Ning Hai Road, Nanking, December 31, 11 a. m.*

Also present: Colonel Underwood

General Lee stated that his trip to Shanghai had been delayed but that he would go there for the meetings of the minority parties. He stated that Mr. Mo Te-hui was also going and would want to talk to General Marshall upon his return to Nanking.

General Marshall asked how strong the Democratic League was at present. General Lee described it as already the largest of the minority parties and steadily growing larger. He stated it would become the most popular of the minority parties and would attract the majority of the liberals. Accordingly, it would become the real balance between the CCP and the Kuomintang.

General Lee asked for advice as to what he might do while in Shanghai to contribute to the solution of political problems. General Marshall stated that he still believed the only real hope of an immediate solution to China's problems to be a complete coalition of the

minority parties into a single liberal party under selfless patriotic leadership. General Lee replied that improvement in the situation depended to a large degree on the extent and manner of the rumored reorganization of the government. General Marshall replied that the type of reorganization to be obtained depended on the action of the minority parties. If these parties would join together into a single cohesive force working for the good of China, a real genuine reorganization of the government would probably follow. If the minority parties continued to operate individually, the reorganization quite possibly would be synthetic. General Marshall stated that a coalition of the minority parties would appeal to the Liberals in the government for it would provide articulate backing for their efforts. Coalition of the minority parties is inevitable; when it will come about constitutes the only question. China could well do with a few patriots among the minority parties who would place national good above private gain. General Lee stated that the National Government could contribute to the improvement of the present situation by getting rid of the CC clique. General Marshall emphasized that the Generalissimo could not force the ejection of the CC clique alone, all of which simply constituted another of the obvious arguments for a coalition of the minority parties.

General Lee said that he understood that General Chang Chun would probably replace Mr. Wang Wen Hao as Vice-President of the Executive Yuan, and that Dr. Soong would remain as Premier. He also understood that the National Government now wishes to fight it out with the CCP. General Marshall felt that the CCP is also eager to settle the issue with force and that the CCP is banking on economic collapse in China before the government can achieve total military victory.

General Lee believes that the National Government should start thorough-going reforms in the area south of the Yangtze River, where the Communist problem is negligible. He thought that perhaps the Government should place one minority party in control of each province, thereby bringing about a free and healthy competition in a democratic way among all parties. General Marshall's only comment was that such an arrangement might not be practical.

General Lee handed General Marshall a list of his own proposals for action to be taken by the government. General Marshall observed with disappointment that a coalition of the minority parties was the last point on the list, when actually it was foremost in importance. He then expressed his real doubt that anyone on the Chinese side understands exactly how a democracy works and how an opposition party operates. He was sure that the Generalissimo did not understand these points and he also doubted that General Lee understood them.

General Lee stated that the liberals in the government were trying to organize themselves and to eject the CC clique. General Marshall stated that the liberals could not force the CC clique out of the government on their own. General Lee wondered if it could not be done, provided Dr. T. V. Soong became the leader of the movement. General Marshall replied negatively and again emphasized his continuing belief that the only solution lay in the coalition of the minority parties into a single liberal party which would back any progressive democratic measure.

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall, Professor Wu Chi-yu, and Mr. Sun Tan-lin at No. 5 Ning Hai Road, Nanking, December 31, 1946, 5:30 p.m.*

Also present: Colonel Caughey

Professor Wu, interpreting for Mr. Sun, said that Mr. Sun was once the Minister of Interior, a close friend of Mr. Wu Pei Fu.<sup>45</sup> Mr. Sun is strictly non-party and has the highest respect for the people of China. He would like to have an opinion from General Marshall on the future of China. General Marshall said that he had seldom seen any government officials except the Generalissimo, Dr. T. V. Soong, Dr. Wang, General Yu Ta-wei, and the Madame frequently but on social matters usually; that most of his contacts actually had been with General Chou En-lai. General Marshall said he had seen the Democratic League members several times and many of the non-party members including businessmen, professors, publishers; particularly the last two.

General Marshall stated that the reactionaries in the government had opposed his efforts throughout and that he was now convinced that the solution for a representative form of government in China is to bring to the fore the liberal elements in a single party as a force for clean government. General Marshall stated that this effort would first have to be made on the Government side with the ultimate objective of bringing into the Government, Communist liberal elements after the Communists had been convinced of the Government's intention to enter into true democratic processes.

Mr. Sun said that all parties, whether they be Government parties or Communist parties, are enemies of the people: that bringing together the liberal elements within all factions is absolutely sound but that he was very skeptical as to the feasibility of this plan under

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<sup>45</sup> Marshal Wu had supported the republican government at Peking; he retired in 1926 and died in 1939.



the double pressure from the Kmt and CCP sides. General Marshall admitted that it would be a very difficult problem and that the idea would be impossible of accomplishment without the indirect support of the Generalissimo. General Marshall elaborated on his liberalization idea by telling Mr. Sun that what he visualized was a strong third party steering group consisting of selected non-party members and that this group would be augmented then with two liberal members from each of the various third parties. This small organization would have a very simple platform and it would have as its objective the backing of whatever appeared good government. General Marshall added that this organization should gradually knit together all of the liberal elements in China into an effective force.

Mr. Sun agreed fully to the need of a coalition of the minor parties, but he still doubted the feasibility of the plan for two reasons; 1) the minor parties have no root in the people of China and therefore would have no support or power; 2) even if the minor parties would abide by Western standards of party participation, the movement could not develop under the Generalissimo's reactionaries and besides the CCP would think it was just another "tail" of the Kmt. Therefore, the minor party coalition could not command confidence of either side.

At this point General Marshall asked Mr. Sun what the alternative might be. Mr. Sun said that two conditions must be fulfilled and that these are good leadership and leadership backed with a real force. Mr. Sun added that the three men previously mentioned by General Marshall as possible leaders of the steering group (Mr. Mo Te-hui, Hu Lin, and Hu Shih) were personal friends of his, but that these individuals have no force and the people would not follow them.

General Marshall then asked Mr. Sun what he proposed. Mr. Sun said that the leadership for a coalition non-party group was most difficult; that Dr. Sun Yat-sen, Mr. Ho Hao-ming,<sup>46</sup> or General Wu Pei Fu would be acceptable leaders but that these persons were dead. Mr. Sun added that he, personally, was willing to support the movement to make it a success but that he did not feel the leadership problem could be solved.

General Marshall again asked Mr. Sun what he suggested. Mr. Sun said that he felt that persons from the business world, such as bankers or factory owners might be called on, and he suggested the following three individuals: Chien Sui Chih, Director of the Bank of Commerce; Chen Kuang Pu, Director of the Shanghai Bank;<sup>47</sup> and Lu Tsu Fu, Director of the Ming Sen Steamship Company. Mr. Sun said that these men were the equivalents of Ford and Rockefeller in the United States. General Marshall stated that the experience in the United

<sup>46</sup> Possibly Hu Han-min, a leading member of the Kuomintang until 1931.

<sup>47</sup> Commercial and Savings Bank.

States had been that this type of person did not do well in politics—that they were not equipped for the type of considerations necessary in political workings. As an example, he pointed out that Mr. Ford had run for the Senate several times but had been defeated. He also added that a banker, because of his financial background, usually could not dare to enter a political life. In the case of lawyers, however, they seem to have the facility of moving in. General Marshall told Mr. Sun that he was glad to have this suggestion but still wanted to know from Mr. Sun what other course might be taken. Mr. Sun replied that if the Kmt can give freedom, peace and liberty to the people of China, then Communism will die, and that if the Communists could give the same thing to the people the Kmt would die.

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Marshall Mission Files, Lot 54-D270

*Memorandum by the Director of the Office of Far Eastern Affairs  
(Vincent) to the Under Secretary of State (Acheson)*<sup>48</sup>

[WASHINGTON,] December 31, 1946.

This,<sup>49</sup> as usual and as you well appreciate, is a very fine statement of the situation. I heartily agree with the final sentence ("It is now going to be necessary for the Chinese, themselves, to do the thing I endeavored to lead them into . . ." <sup>50</sup>), and I therefore have some misgivings about the suggestion that Ambassador Stuart is in "a position where his services in negotiations will almost automatically continue to be sought by all sides". I am not at all sure but that, with the return of General Marshall, we should go out of the negotiation business and see if the Chinese can't get together better without a "middleman". I think it might be healthful all around for our relations with China to get back into a normal groove. By that I mean that our Ambassador concentrate his attention on furthering and strengthening our diplomatic and economic relations with China in a manner regardful of our own interests and of our desire to aid China in practical non-political ways, thus leaving it to the Chinese to reach some kind of settlement of their internal political difficulties. If General Marshall couldn't turn the trick during the past year, I don't think Stuart can do it in the coming year. And I believe that the Chinese, once they realize that we are ceasing our efforts to bring

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<sup>48</sup> Forwarded by Mr. Acheson to the Secretary of State with the notation: "You will be interested in John Carter Vincent's comment which seems wise to me."

<sup>49</sup> Telegram No. 1891, December 28, from General Marshall to President Truman, p. 661.

<sup>50</sup> Omission indicated in the original memorandum.

them together, may endeavor with more earnestness of purpose to get together themselves.

J[OHN] C[ARTER] V[INCENT]

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**XVII. RECALL OF GENERAL MARSHALL; REACTIONS TO GENERAL MARSHALL'S STATEMENT OF JANUARY 7, 1947, AND HIS APPOINTMENT AS SECRETARY OF STATE**<sup>51</sup>

893.00/1-147: Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, January 1, 1947.

[Received January 1—11:06 a. m.]

4. Following are Chou En-lai's<sup>52</sup> comments on President Truman's statement,<sup>53</sup> National Assembly, and future of Kuomintang-Communist negotiations made in Yen-an on December 28.

"Question: What is the purpose behind President Truman's statement on December 16 [18]?"

Answer: President Truman's statement is mainly an apology for United States Government's reactionary policy toward China since March of this year. It contains nothing new. His purpose is to use such apology to blindfold the public opinion at home and abroad and block embarrassing criticisms from all quarters that reactionary policy toward China can continue without a change. This will enable American mediator to remain in China in talk of so-called 'extreme willingness to help China to attain peace and real democratic government'. The American Government can also on the other hand unscrupulously help Chiang Kai-shek's<sup>54</sup> Government, so Chiang Kai-shek can have a free hand if waging civil war and American Government can accelerate the process of reducing China into a colony and dependency of America. This statement of President Truman obviously does not represent the true American public opinion. On the contrary it conflicts with the true American public opinion. The joint declaration made by Republican Senator Flanders, Democratic Senator Murray and four famous American experts on

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<sup>51</sup> These 1947 documents are here printed with the 1946 record in order to bring the account of the Marshall Mission together.

<sup>52</sup> Head of the Chinese Communist Party delegation during the 1946 negotiations with General Marshall and the Chinese Government.

<sup>53</sup> December 18, 1946: Department of State, *United States Relations With China* (Washington, Government Printing Office, 1949), p. 689.

<sup>54</sup> President of the National Government of the Republic of China.



China<sup>55</sup> before President Truman's speech represents the fairminded public opinion of the American people.

Question: Does the policy of the United States Government toward China during the past year accord with the declaration of Big Three Foreign Ministers in Moscow?<sup>56</sup>

Answer: The United States Government policy toward China since March this year not only does not accord with, but is in flagrant violation to principles expressed in the declaration of the Big Three Moscow Conference and President Truman's statement. The Kmt<sup>57</sup> Communist cease fire agreement,<sup>58</sup> the five resolutions of the Political Consultative Conference<sup>59</sup> and the plan for the national reorganization of the armies<sup>60</sup> agreed upon in January and February accord with these principles. General George Marshall at that time really did his utmost to mediate and further these agreements. The Chinese Communist Party and the Chinese people still support the line of these resolutions even after they were torn up by Chiang Kai-shek's Government. We insist on the cessation of hostilities throughout the country according to the position of both armies when the January 13 cease fire order was issued. We still stand by the PCC line in not recognizing Kmt-controlled illegal, nation-splitting 'National Assembly' and any form of 'constitution' passed by it.

The declaration of the Big Three Moscow Conference in December last year, the principles of President Truman's statement of last year<sup>61</sup> toward China and even the recent statement of President Truman all call for the cessation of internal strife broadening the basis of the Government so that democratic elements can be included in all branches of the Government, establishment of a democratized and unified country, guarantee in concert the policy of non-intervention in Chinese internal affairs and the assurance that 'only when China is travelling along this road' will the United States render economic and other aids. But facts of the past year demonstrate that policy of both America and Chiang Kai-shek is just the reverse of these principles.

With regard to the cessation of hostilities throughout the country Chiang Kai-shek never abided by the truce agreement nor ceased the

<sup>55</sup> On December 19, 1946, the *New York Times* reported that on December 18 Senator Ralph E. Flanders (Vermont) and Senator James E. Murray (Montana) had advanced a proposal that an international conference, composed of the United States, Great Britain and the Soviet Union, be held and attended by representatives of all political parties in China, to terminate the civil war in China. Signers of the proposal were Owen Lattimore, Johns Hopkins University; Harley F. MacNair, University of Chicago; H. H. Fisher, Hoover Library, Stanford University; and Foster Rhea Dulles, Ohio State University.

<sup>56</sup> December 27, 1945, Department of State *Bulletin*, December 30, 1945, p. 1030; for correspondence, see *Foreign Relations*, 1945, vol. II, pp. 560 ff.

<sup>57</sup> Kuomintang.

<sup>58</sup> January 10, 1946, vol. IX, p. 125.

<sup>59</sup> *United States Relations With China*, pp. 610-619.

<sup>60</sup> February 25, 1946, vol. IX, p. 295.

<sup>61</sup> December 15, 1945, *United States Relations With China*, p. 607.

hostilities in Manchuria even in January and February. The Kmt, the Communist Party, and the United States again specially concluded an agreement for the cessation of hostilities in Manchuria on March 27.<sup>62</sup> Chiang Kai-shek's Government again violated this agreement. It did not permit truce teams to go to areas of hostilities to carry out cease fire order but instead brought about large-scale fighting in Manchuria. Large-scale hostilities further extended to the south of the Great Wall after June and continued up to the present time. Armies of Chiang Kai-shek's Government have invaded all Communist-led liberated areas. Since January they have seized 183 towns in the liberated areas. They of course paid a great price. Since July alone, they have lost around 45 brigades (formerly called division) or nearly one-fifth of Chiang Kai-shek's total military strength. For this civil war of unprecedented scale Chiang Kai-shek has already mobilized 88% of his total military strength—about 218 brigades—to attack the liberated areas.

The January truce agreement has long since been thoroughly torn up by him. The United States Government and its special envoy mediator did not raise a single word against this but instead abandoned their stand of January truce agreement and refused to restore peace by restoring position of both sides according to January 13 cease fire agreement. Is this not clear that the United States and Chiang Kai-shek are working hand in glove to give free rein to large-scale hostilities. Where is any intention of 'ending the internal strife'?

With regard to the United States forces stationed in China, their principal task, according to President Truman, is to assist China to receive Japanese surrender and to repatriate the Japanese war prisoners. In fact, these are only pretexts. Transportation of Chiang Kai-shek's troops to north and central China by American force to receive surrender resulted in large-scale civil war since last winter. It is obvious that all intention is to assist Chiang Kai-shek to bring about the civil war situation, and then pretend for mediation.

The work of repatriating the Japanese war prisoners does not need a large-scale force and has not released all Japanese from China. Those lifted homeward are none other than Japanese plunderers taking task of attacking the liberated areas among Yen Hsi-shan's<sup>63</sup> troops and other Kuomintang troops. One Japanese war criminal stated that Commander in Chief of ex-Japanese expeditionary forces in China, Okamura, not only has not been brought to justice but is being well treated by Chiang Kai-shek Government.

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<sup>62</sup> Vol. IX, p. 603.

<sup>63</sup> Chinese general and Governor of Shansi.

For more than 1 year the American Navy has been on the rampart along China coast, while American armies encroached on various places in north China. There were nearly 30 attacks and encroachments on liberated areas along the Peiping-Mukden Railway by the American forces between October last year and July this year. These military operations in which they coordinated with Chiang Kai-shek's troops were not only intervention in Chinese internal affairs but participation in Chinese internal strife.

During the past year, the American aid to China was rendered at a time when Chiang Kai-shek's Government insisted on civil war and dictatorship and had not finally headed for peace and democracy. President Truman in his recent statement could not help admitting that the agreements reached last January and February have not been carried out and China has not yet attained peace and a truly democratic government. Yet it was under such circumstances that American Government rendered unprecedented large-scale aid to Chiang Kai-shek's Government. The Navy and Air Forces of the United States Government transported Chiang Kai-shek's Government troops to Manchuria, north China and central China not only before January cease fire order but also violated the cease fire agreement by transporting 9 armies to enlarge the civil war after the issuance of the cease fire order. It was stipulated that 39 divisions would be equipped during the anti-Japanese war, but only 20 divisions were equipped before V-J Day. After the Japanese surrender, equipping not only has not been dropped, but was extended to 45 divisions. Lend-lease materials reached a grand total of 1,500,000,000 US dollars. Last June when Kuomintang-Communist negotiations were most tense, the United States Government again proposed to the Congress a 10 years' extension of Lend-Lease to China Act. In addition, it presented 271 war vessels to Chiang Kai-shek in order to abet Chiang's decision of daring to break up negotiations. The surplus property agreement<sup>64</sup> involving transfer of 855 million US dollars worth of surplus property was signed at a time when China was engaged in large-scale hostilities. This deal includes transfer of war planes, military vehicles, communication equipment and all daily necessities for army, for this property is precisely military surplus property.

The American loans to China during the war of resistance already reached 750 million US dollars. After war another 66 million US dollars were added. Therefore Chiang Kai-shek's Government has now 300 million US dollars deposits in the United States and negotiations with the United States Government are now underway to pur-

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<sup>64</sup> Signed at Shanghai, August 30, 1946, Department of State, *Report to Congress on Foreign Surplus Disposal*, October 1946, p. 40; for correspondence, see pp. 1033 ff.



chase ammunition with these deposits. If another new loan of 500 million US dollars is rendered and Chiang Kai-shek Government receives this encouragement, the civil war will undoubtedly continue for a long time in China.

From most reliable but incomplete data, it can be seen that the material aid received by Chiang Kai-shek's Government from the United States have exceeded 3,600,000,000 US dollars worth. All this aid however is directly or indirectly used in civil war and therefore can never be instrumental to economic recovery of China. There are also thousands upon thousands of victims of American made arms and ammunition who but 1 year ago were elated and animated by President Truman's statement and Marshall's mission to China.

Aim of the barefaced policy of the United States Government aiding Chiang to wage civil war is to force Chinese people into suppression and transform China entirely into a dependency of the United States. From recently concluded Sino-American 'treaty of friendship, commerce and navigation',<sup>65</sup> Sino-American air agreement,<sup>66</sup> the agreement on United States military advisory group<sup>67</sup> and various kinds of military training it can be proved that the action of Chiang Kai-shek's Government in selling out the state sovereignty and national interests fits with the policy of the United States Government—assisting Chiang Kai-shek to wage the civil war. However hard Truman has argued that the United States is avoiding involvement in civil strife of China, the fact reveals that he is already maker and inspirer of the civil strife. His statement that he is still willing to assist China to carry out economic recovery is only finding a pretext for the United States Government to continue its policy of assisting Chiang Kai-shek to wage civil war by extending loans. The reactionary policy of the United States Government cannot but arouse the greatest indignant and resolute resistance of the Chinese people and cannot but be detrimental to the traditional friendship between the Chinese and American peoples. It cannot but arouse the serious attention of all countries concerned.

Question: Who in your analysis is responsible for breaking up the Kuomintang—Communist negotiations during the past year? Question: Have United States mediators been impartial or not?

Answer: The Kmt authorities were obviously responsible for breaking up the Kuomintang—Communist negotiations during the past year. The January 13th cease fire agreement and the PCC decisions

<sup>65</sup> Signed at Nanking, November 4, 1946, Department of State Treaties and Other International Acts Series (T.I.A.S.) No. 1871, or 63 Stat. (pt. 2) 1299; for correspondence, see pp. 1227 ff.

<sup>66</sup> Signed at Nanking, December 20, 1946, T.I.A.S. No. 1609, or 61 Stat. (pt. 3) 2799; for correspondence, see pp. 1228 ff.

<sup>67</sup> For correspondence on this subject, see pp. 810 ff.

are fundamental agreements for the cessation of civil strife and the realization of democracy in China. The Chinese Communist Party is now willing to continue the struggle for the PCC line and the restoration of the military positions held by both sides at the time of January 13th cease fire order. The Kmt has, however, not only torn up these agreements, refused to restore the military positions of both sides according to the January cease fire order, and refused to implement the PCC decisions according to schedule, it has also attempted to eliminate the Communist-led liberated areas by continuing its deep penetration into the liberated areas and split the national unity by declaring as legal the Kmt hand-picked illegal 'National Assembly' and 'constitution' which was totally not agreed upon by the Political Consultative Conference of all parties and groups. Such action of Chiang Kai-shek's Government has not only caused breaking up of Kmt-Communist negotiations, but even has made peace negotiation impossible. But Truman's statement did not mention a single word about this, and on the contrary only charged the Chinese Communist Party with the occupation of Changchun and breaking up of positive negotiations. In fact the occupation of Changchun by Communist-led troops was a defensive action fixed upon them under following circumstances. Chiang Kai-shek's troops had already broken the Manchuria cease fire agreement of March 27th, seized many cities from the joint democratic army of Manchurian people and fiercely attacked Ssepingkai. The positive negotiations such as June cease fire consultations, July 5-man conference, Ambassador Stuart's mediation in August, proposal for halting attack on Kalgan in September, and Third Party's mediation in October were swept away by a series of new demands on part of Chiang Kai-shek Government. And finally Chiang's Government closed door on negotiations by calling its illegal 'National Assembly' for national split.

Answers to the question about the attitude of the United States mediators can be found in these talks. Collaboration between Chiang Kai-shek and the United States to destroy the cease fire agreement and the PCC line became clearer and clearer with passing days.

Question: Inasmuch as the 'National Assembly' of Chiang Kai-shek's Government has already been held, is 'constitution' passed by it valid?

Answer: The 'National Assembly' and the 'constitution' of Chiang Kai-shek Government were not arrived at through unanimous agreement of PCC. The 'National Assembly' [apparent omission] of the 'constitution'. Therefore, in spite of the fact that this so-called 'National Assembly' has already been held and a so-called constitution passed, their nature is still that of a 'Chiang Kai-shek's National Assembly' and 'Chiang Kai-shek's constitution'. We and the demo-

crats of the whole country will determinedly not recognize them as legal and valid.

The original National Assembly provided for in PCC decisions was a National Assembly of all parties and groups in the nation and not elected through universal suffrage. But especially noteworthy is the fact that the so-called National Assembly representatives who retain seats in the present assembly were hand picked by Kmt dictatorship 10 years ago. Now that Chiang Kai-shek's Government has held its illegal one-party controlled national split assembly based on these some 950 so-called assembly representatives, a new National Assembly of all parties and groups really corresponding to the PCC decisions will be convened in the face of a peoples' victory, regardless of how the Young China Party and the Democratic-Socialists violated the PCC decisions, and shout plaudits for Chiang's 'National Assembly.'

When Chiang's National Assembly was called, we advocated that it should not be held. During its sessions we advocated its dissolution. Now that it has been held, we advocate its nullification and the convening of a new National Assembly. Chiang Kai-shek's fake constitution can only be regarded in the same light as 'Tientang' constitution (passed by Yuan Shih-kai's <sup>68</sup> Assembly in Peiping with the purpose of crowning himself emperor) and Tsao Kun's <sup>69</sup> constitution, which was put through by 'buying elections'. (Tsao Kun is a northern war-lord who set up an [*his?*] own Diet [*parliamentary?*] electoral regime in the north.[]) These declarations in their constitutions announced things they never meant to carry out and the people never recognized these 'constitutions'.

Question: But what do you think of future of the Kmt-Communist negotiations?

Answer: Chiang Kai-shek's Government closed the door on negotiations with the same hand that convened the National Assembly. If Chiang Kai-shek's government wants to renew negotiations, it must: (1) Cease hostilities by recognizing and restoring positions of both sides on January 13th according to the cease fire order. (2) In accordance with the PCC line, nullify the illegal National Assembly and fake constitution and reconvene a conference of all parties and groups to consult on all matters. Otherwise if Chiang Kai-shek after closing of its National Assembly comes up to play some farce of reorganizing the Govt and at the same time continues the attacks on the liberated areas and actively prepares offensive on Yenan and Harbin, then the deceptive nature of his farce of 'reorganization of govt' will be exposed same as the National Assembly, which has just been held. Its aim obviously is to suit design of the United States

<sup>68</sup> First President of the Republic of China, 1912-16.

<sup>69</sup> President elected in 1923.



Government and deceive the American public opinion so that the United States Government will have a pretext transferring the 500 million American dollars loan and rendering further aid for augmenting China's civil war and slaughtering Chinese people. We and the Chinese people will certainly not again be deceived by this design of the American-Chiang collaboration. We are determined to oppose this to the end."

STUART

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893.00/1-347: Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, January 3, 1947.

[Received January 2—11:30 p. m.]

Mao Tse-tung, chairman of the Chinese Communist Party, issued the following New Year's message in Yen-an December 31:

In the year 1946 in China, as throughout the post-war world, the side of light waged a victorious struggle against the side of darkness. In the post-war world and in China there developed on extremely large scale people's movement for peace and democratic liberties. These movements must of necessity move toward victory—there is no power which can bring them to a halt. But the reactionaries constantly scheme to put a halt to these movements. The duty of the people in the whole world and the Chinese people is to consolidate all their strength to smash the invading forces of the reaction.

In the year 1947 the world united front of the peoples of all countries—including China—the front against the aggressor policy of the American imperialists will develop rapidly and the movement of the Chinese people for democratic liberty will obtain even more important victories than those of 1946. The trend will be to cause the conditions in China to undergo a change beneficial to the restoration of peace and independence of the nation. We, Communists, during the anti-Japanese resistance, strove for post-war cooperation of all parties and groups. At the same time, however, we issued a warning: "The dominant clique in the Kuomintang are behind the smokescreen of so-called 'calling a National Assembly' 'political settlement' steadfastly carrying [on] the work of preparing for civil war. If the people of the nation do not pay heed, do not expose their conspiracy and put a halt to their preparations, the morning will come when roar of civil war guns will be heard."

After the close of the anti-Japanese resistance war the people of the whole country exerted all efforts of forbearance to prevent the breaking out and enlarging of the civil war.

Unfortunately these efforts were destroyed by the all-out attacks of the reactionaries and the Kmt one-party National Assembly. But the Chinese people are still continuing the fight for peace through two types of endeavors: the heroic strenuous struggle of all classes of the people in the liberated areas to smash the attacks of the reac-

tionaries, and the daily swelling mass movement for democratic liberties on the part of all classes of the people in areas under the Kuomintang rule.

This united will of the Chinese people will decisively overwhelm the will of any reactionary clique and thus create the possibility of restoring sincere peace negotiations between all parties and groups and of having a truly peaceful life on a nationwide scale. At present the Kuomintang authorities have still not evidenced any slightest intentions for peace. Under the direction of the American Government they are busy adorning themselves with a "National Assembly" of division and a dictatorial "Constitution" in order to "legalize" their war and the American aid. But the people of the whole country need only close their ranks in firm unswerving battle, and in the not distant future, the light of liberty will surely illumine the vast reaches of our ancestral homeland. Within the next few years an independent peaceful democratic new China will surely establish its firm foundation.

STUART

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121.893/1-347 : Telegram

*Colonel Marshall S. Carter*<sup>70</sup> to General Marshall

WASHINGTON, 3 January 1947.

88875. The following message has just been received from the Secretary of State for transmission to you :

"Referring to your message to the President dated December 28<sup>71</sup> we are in hearty accord with the course you have pursued and the views you express as to future action. However, the President is of the opinion that no decision should be made as to mediation activities of Stuart after your departure until you have returned and we have had opportunity to discuss that particular proposal.

The President states that as 6 months have elapsed since your last visit to talk with him he would appreciate it if at your earliest convenience you would return for consultation on China and other matters. Signed Byrnes."

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter* to General Marshall

[WASHINGTON,] 3 January 1947.

88932. This afternoon as a matter of coordination I showed Mr. Truman the message I sent you today from Mr. Byrnes.<sup>72</sup>

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<sup>70</sup> General Marshall's special representative in Washington.

<sup>71</sup> *Ante*, p. 661.

<sup>72</sup> *Supra*.

Mr. Truman suggested that I advise you in the utmost secrecy that he hoped you could be back by 10 January. Mr. Truman's concern is connected with the last two words of Mr. Byrnes' message, and the project that the President has previously discussed with you.

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Colonel Marshall S. Carter*

[NANKING] 4 January 1947.

1897. Please pass to Sec State.

DEAR MISTER SECRETARY: Your message (88875) has been received and the President's desires regarding mediation activities of Dr. Stuart and my return home for consultation have been noted.

I think it best for me to delay my departure and any notification to the Generalissimo and others of this purpose, until a decision is reached by the Government regarding a mission to Yen-an and the Communist reaction is known. Also I would suggest that the first public notice of my intended return should be in Washington but only 24 hours before my departure from Nanking. Otherwise I will be considerably embarrassed by a series of governmental formalities. End of Sec State mesg.

For Carter: Since writing the foregoing your 88932 has arrived regarding President's desire for me to arrive in Washington by January 10th. To do so I would have to leave here tomorrow morning or make a day and night continuous flight which imposes too much of fatigue for my years. Please urgently see President again and find out if January 10th is an imperative date. He may possibly have expressed himself carelessly. I had planned to rest up a week in Hawaii. I think I fully understand matter to be discussed. My answer is in affirmative if that continues to be his desire. My personal reaction is something else.

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter to General Marshall*

[WASHINGTON,] 4 January 1947.

88993. Have just completed talk with President. He said to make it clear to you that the matter should suit your convenience. He intends to make the announcement on 10 January and thought yesterday you should be here then. This morning he thought your presence was not necessary since you now know the subject, and in fact he feels his announcement might simplify your departure. Your affirmative



answer pleased him greatly. There is nothing imperative about your presence here on 10 January. He was entirely agreeable to the Hawaii deal, again stating it was a matter for your convenience and desires.

I showed him your message to Mister Byrnes,<sup>73</sup> explaining it was written prior to the President's message covered in 88932. Mister Byrnes has given me no indication of the subject first discussed in this message, although I am sure from what the President has told me that Byrnes is fully aware of it.

As it stands now, the President will make the announcement on 10 January. From next to last sentence of your message to Mister Byrnes, this would appear to require your departure from China no later than 12 January.

Is this timing satisfactory, or shall I ask the President to defer announcement until you give the word?

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Colonel Marshall S. Carter*

NANKING, 5 January 1947.

1907. Reference your 88993, my decision is to leave here Wednesday a. m. the 8th local calendar stopping over for rest in Honolulu. Request following White House announcement be made 24 hours earlier:

"The President has directed General Marshall to return to Washington to report in person on situation in China. He will probably leave Nanking tomorrow morning."

In case there is a leak from out here, which is quite possible, make the announcement immediately correcting time element accordingly. I decided that the general effect out here would be better, first to have the shock of my immediate departure with its various implications, to be followed a few days later by the added shock of the January 10 announcement.

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Colonel Marshall S. Carter*

NANKING, 5 January 1947.

1910. There follows herewith my frank statement regarding the situation in China which I had intended to make personally in Washington. However, changed circumstances and my planned delay en-route dictates that this statement should be released no later than 24 hours after the White House release directing me to return. I propose

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<sup>73</sup> *Supra.*

therefore that the latter release be issued at 4 o'clock Monday afternoon, and my personal statement at 10 o'clock Tuesday morning, 7 January. My statement should be released by White House or State Department.

Submit this statement to Secretary of State for clearance. If there is anything in it which it is felt would be embarrassing for our Government, I agree now to the changes thought advisable.

The statement should be introduced by the following White House or State Department comment "The following personal statement by General Marshall on the situation in China is released for publication."

The statement now follows:

[Here follows text of statement which, after a few minor changes,<sup>74</sup> was released on January 7; *United States Relations With China*, page 686, or Department of State *Bulletin*, January 19, 1947, page 83.]

Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter to General Marshall*

[WASHINGTON,] 5 January 1947.

89012. Reur 1907. The President stated his complete agreement to your views expressed in reference message. The White House press release will be made at 1900 Monday 6 January Eastern Standard Time for use of radio that night and for morning papers Tuesday 7 January.

Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Mr. Butterworth* <sup>75</sup>  
*at No. 5 Ning Hai Road, January 6, 1947, 7 p. m.*

Also present: Colonel Caughey <sup>76</sup>

[Here follows discussion of various matters of business.]

General Marshall told Mr. Butterworth that he was quite sure that the Communists would be highly inflamed when they read his forthcoming statement, and their attitude is going to be, no doubt, a strong "To Hell with the United States, and to Hell with the National Government!" General Marshall sought Mr. Butterworth's views

<sup>74</sup> In telegram No. 89047, January 6, informing General Marshall of these changes, Colonel Carter reported: "For your information, Mister Byrnes thought your statement exceptionally powerful, although depressing, and certainly one that should be made now. Mister Acheson said it was a clear-cut and tremendously impressive statement of the situation." Dean Acheson was Under Secretary of State.

<sup>75</sup> W. Walton Butterworth, Minister-Counselor of Embassy in China.

<sup>76</sup> J. Hart Caughey, Executive Officer on General Marshall's staff.

with reference to subsequent procedure as far as the United States was concerned. Mr. Butterworth offered the thought that the United States' attitude should be a continuation of its relations with the National Government, together with limited assistance.

General Marshall pointed out that he had spoken to Dr. Wang Wen-hao <sup>77</sup> and stressed to him the necessity of removing the military clique and reactionaries from the governmental structure. General Marshall added that Dr. T. V. Soong <sup>78</sup> is also desirous of removing the military clique and the reactionaries. General Marshall continued by stating that the Generalissimo <sup>79</sup> may also be infuriated, when he reads the statement, to a point that he may be moved toward the necessary governmental reorganization.

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Marshall Mission Files, Lot 54-D270

*General Marshall's Notes on Meeting With Generalissimo Chiang Kai-shek at Nanking, January 6, 1947*

Dr. Stuart accompanied me to the home of the Generalissimo to inform him that the President had recalled me to Washington for consultation, and that I was leaving Wednesday morning, the 8th. The Generalissimo, in expressing his regret, questioned me as to the various things he hoped that I would do for China—reorganization of the army, educational, etc. I told him I could make no statement regarding this prior to my seeing the President.

In discussing the current reactions in the United States regarding China, I mentioned the fact that a minority were urging our Government to adopt the proposal of Senator Murray and Senator Flanders for an American, Russian, British group to endeavor to provide a stabilizing influence for affairs in China. The Generalissimo picked up this particular point and made it the subject of the entire discussion which followed. It had been mentioned by me merely as a minority expression, without any prospect of adoption by our Government.

The Generalissimo requested me to say to the President that the decision made at Yalta regarding Manchuria <sup>80</sup>—the railroad, Dairen and Port Arthur—without reference to the Chinese Government came as a great shock and one that is not understood at all by the Chinese people. The Generalissimo, himself, realizing something of the circumstances at the time, accepted the decision but he felt that the action

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<sup>77</sup> Vice President of the Chinese Executive Yuan.

<sup>78</sup> President of the Chinese Executive Yuan.

<sup>79</sup> President Chiang Kai-shek.

<sup>80</sup> Agreement signed at Yalta, February 11, 1945, *Foreign Relations*, The Conferences at Malta and Yalta, 1945, p. 984; also printed as Department of State Executive Agreement Series No. 498, and in 59 Stat. (pt. 2) 1823.



was not in accordance with the traditional stand of the United States Government and was one that would continue to arouse deep feeling in China. Further, he regarded the action of the Committee of Prime Ministers in Moscow last year, regarding China, as offensive to the dignity and sovereignty of the Chinese nation. He added that the day following the announcement the Soviet Ambassador had called on him and stated that the Soviet Government, while it acquiesced in the action taken, thought it unwise but that it had been proposed by the American representative.

The Generalissimo asked me to tell the President that under no circumstances, while he was at the head of the Chinese Government, would he accept any action regarding the internal affairs of China which involve the Soviet Government or the British Government; that, if such action were taken and forced on China, he would step aside as President because such procedure would be intolerable and an insult to the Chinese Government and people. He repeated these facts in various forms of expression continuing to emphasize the fact that he would deeply resent interference in the internal affairs of China by the Powers. I told him that I would repeat that information to the President and to the Secretary of State.

The Generalissimo requested me to call again the following afternoon at 6 o'clock to discuss what action I thought the Government should take regarding the Communists and in regard to the reorganization of the Government. This would be followed by a family dinner. He had proposed that he invite some of the leaders of the Government for dinner but I stated my preference to have them come in for lunch with me at my house.

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and General C. P. Lee* <sup>81</sup>  
*at No. 5 Ning Hai Road, Nanking, January 7, 1947, 11 a. m.*

Also present: Captain Soong <sup>82</sup>

General Lee told General Marshall that he had just returned from Shanghai where he had visited many Democratic League members and nonpartisans. He summarized their views as set forth below.

Mr. Mo Te-hui: Mr. Mo seemed to think that if General Marshall could wait patiently in China for another year, the problem could eventually be solved. He suggested that General Marshall should

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<sup>81</sup> Maj. Gen. Chen-pien Lee, M. D., Director of the Serum Institute of the Chinese Ministry of National Defense.

<sup>82</sup> John L. Soong, U. S. Army language officer.

take a passive attitude because, he believed, time alone would solve the problem. He felt that the Government should not be reorganized in the near future because without the Communist Party, reorganization would do more harm than good.

Dr. Lo Lung-chi: Dr. Lo inquired if General Marshall was pressing the Government for reorganization. He felt that the Government was trying to break up the third party group and obtain the loan from the U. S. He further stated that by reorganizing a few departments, the Government would proclaim to the world that democracy had been achieved in China. Then it would attempt to defeat the Communists. Dr. Lo strongly opposed the immediate reorganization of the Government. He felt that peace talks could be resumed and that the Communists still wanted peace. Dr. Lo said the fact that Mr. Tung Pi-wu<sup>83</sup> is still remaining in Nanking and the repeated denial of the convocation of a People's Assembly by Yen-an is a good indication that the Communist Party still desires peace.

Mr. Chang Lan (Chairman of the Democratic League): Mr. Chang felt that either the Government would have to make wide reforms or China would break into pieces. He stated that the bandits who are so prevalent in various parts of China could be very easily organized by the Communists. He said that he had tried to persuade the Generalissimo to conduct frequent conversations with men who would tell him the true conditions in China. However, the Generalissimo either was unimpressed or his instructions were not followed by subordinates. Mr. Chang felt that a reorganization of the Government at the present time would be harmful.

Mr. Hu Ling: Mr. Hu also felt that a reorganization of the Government at the present time was unwise. However, he agreed, either the Government would have to reform or a long civil war would result. He felt that there must first be peace before the Government could be reorganized.

A certain General just returned from Manchuria: He felt that although the Government troops had the upper hand in Manchuria, they could not defeat the Communists. The reasons are: 1) Government troops could only occupy certain cities, but never the whole area. 2) All the peasants were organized by the Communists and working for the Communist Party. 3) The generals in the Government's armies are corrupt and do not command the respect of their subordinates. 4) Government victories largely depended on airplanes and mechanized units. If supplies for these war materials were termi-

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<sup>83</sup> Senior member of the Chinese Communist delegation at Nanking, after the departure of General Chou En-lai.

nated, they would not continue to win victories. The General continued that the Government had suffered heavy casualties at the front. He also commented that the Communists were extremely good organizers. He stated that two possible conditions would result if the Government refused to make thorough reforms: first, division of Manchuria into two states, one Communist and one Kuomintang; second, a total civil war.

General Lee concluded by suggesting that a clear statement be made by General Marshall saying that the U. S. would be ready to help China as soon as a democratic Government is formed, including the various parties and the Communists. He also suggested that peace talks may possibly be resumed by beginning discussion of the Yellow River Project with Mr. Tung Pi-wu.

General Marshall said that he could not urge the Communist Party to participate in the Government; common decency would not permit him to do so in view of their vicious propaganda. He emphasized that the situation requires courage and patriotism on the part of liberal leaders in China. General Marshall agreed that the Yellow River Project was a good means of attempting revival of negotiations.

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121.893/1-2447

*Generalissimo Chiang Kai-shek to President Truman*<sup>84</sup>

NANKING, January 7, 1947.

DEAR MR. PRESIDENT: On the occasion of General Marshall's return to Washington for consultation, I wish to take this opportunity to renew to you my warm personal greetings.

During the past twelve months, General Marshall has rendered us immeasurable assistance in connection with repatriation of the Japanese in China, the taking over of our liberated territories, and his earnest and patient efforts at mediation between the Chinese Government and the communists. No other envoy could have helped China so much in face of such manifold difficulties. His work, Mr. President, deserves the full recognition of your Government as well as the gratitude of the Chinese people.

In her hour of crisis, my country has been most fortunate in having General Marshall with us. I am sure the Chinese people joins me in expressing the fervent hope that he will soon return to help us in the rebuilding and regeneration of our country.

With expressions of high regard [etc.]

CHIANG KAI-SHEK

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<sup>84</sup> Copy transmitted to the Department by the White House on January 24.



Marshall Mission Files, Lot 54-D270

*General Marshall's Notes on a Conference With Dr. Wang Shih-chieh,<sup>85</sup> at Nanking, January 7, 1946, 1:30 p. m.*

Dr. Wang came in for lunch with Dr. Stuart and immediately after lunch made the following statement to me:

The Generalissimo wished him to explain that he (the Generalissimo) was giving me a letter for the President<sup>86</sup> but that it did not cover the following points which he wished me to convey to the President:

The Government intended to reorganize immediately, taking into the Government the representatives of non-party men, Young China Party, Democratic Socialist Party, and also Democratic League and the Communists if they were willing to participate.

If the Communists and the Democratic League members would not participate, it was essential that the Government go ahead without further delays in reorganizing and restoring communications. The situation would be difficult and the Generalissimo trusted that his problem would be sympathetically viewed by the United States Government.

Should the United States Government decide to evacuate its troops from China it was hoped that this would not be initiated during the midst of the present anti-foreign demonstrations; otherwise it would encourage these people to further efforts of the same violent nature. Also it was hoped that the troops would not be withdrawn until the establishment of the Military Advisory Group had been formally confirmed by Congress.

The Generalissimo also wished the United States Government to consider very carefully the plight of China with regard to the economic situation. He understood that the United States Government could not well lend financial assistance until there was definite evidence of reorganization of the Government on a more democratic basis. However, he wished me to make clear to the United States Government the critical necessity of China with regard to materiel and means to overcome the present difficulties in communications and in material resources to assist in reducing the present inflationary condition.

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<sup>85</sup> Minister for Foreign Affairs.

<sup>86</sup> *Supra.*

Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Dr. T. V. Soong  
at No. 5 Ning Hai Road, Nanking, January 7, 1947, 5 p. m.*

Also present: Colonel Underwood

General Marshall apologized for events which caused Dr. Soong to return from Shanghai. He had wished to see Dr. Soong as a matter of courtesy but had not wanted Dr. Soong to change plans on his behalf. Dr. Soong replied that he had not been inconvenienced and that he appreciated the opportunity to talk with General Marshall prior to his departure.

Dr. Soong stated that at present Chinese imports and exports were not in balance, but that by intensive measures now planned for increase in the tobacco, rice and cotton crops in China he hoped to bring imports and exports into balance during the next year. With respect to cotton in particular, he mentioned that at present three-fourths of China's raw cotton needs were being met by imports. However, he hoped by next year to reduce imports to one-fourth of China's total need. Accordingly, he regarded the present unfavorable import and export position as temporary only and hoped that General Marshall would represent this view in the United States.

General Marshall asked if Dr. Soong knew the significance of the recent Government action in closing the ports of Tsingtao and Chinwangtao to foreign ships. Dr. Soong stated that the Chinese Army was responsible for this move since they had convinced the Generalissimo that closing of the ports was necessary to maintain appropriate relations with Russia. General Marshall was glad to hear that the closing of the ports was not connected with a business deal to funnel all imports through Shanghai.

Dr. Soong stated that military expenditures were the big financial problem at present. Confidentially, however, he hoped to meet these expenditures by drastic revisions in the tax collection system. This revision primarily would result in placing a larger and more appropriate share of the tax burden on the wealthy. Although military expenditures were taking up fifty percent of the budget, this was a smaller percentage than in recent years. He believed that he could save the economic situation in China, although it was a back-breaking job.

General Marshall told Dr. Soong that he would soon make a statement on China. Now that he was being recalled, he could not remain silent. Although it was a disagreeable business for which he had no appetite, he would have to speak frankly. He was certain that his frank statement would arouse bitterness and anger, particularly among radicals, reactionaries and irreconcilables. However, that could not be helped. He had exerted every effort in his statement

to create an opportunity for the better elements in China to rise to the top. He hoped his statement would make possible the organization of a patriotic, liberal group under the indirect sponsorship of the Generalissimo. Such action was imperative from the standpoint of the Generalissimo, since he needed a respectable opposition party in order to prove to the world his sincerity in establishing a democratic form of government in China. Such an opposition party would be a strong force for good. The Generalissimo could use it to wipe out graft, corruption and incompetence in the government and in the Kuomintang. Furthermore, it would be an effective check on the present dictatorial control of military leaders. Without a respectable opposition party, China would not be given credit before the world for having established a democratic government. General Marshall again expressed his regret for having to issue such a brutally frank statement. The military leaders in particular would be furious. However, it was his hope that the statement would also be helpful in creating opportunities for improvement in the political situation. Dr. Soong evinced great interest in General Marshall's comments, stating his belief that the military group could be smashed.

General Marshall said that he had been receiving depressing reports on the military situation in the field. National Government losses were heavy, the troops were becoming apathetic, and poor leadership was evident everywhere. He wondered just how much the Generalissimo knew of the real situation existing in the field. General Marshall was greatly disturbed over these reports. He had warned the Generalissimo all along that the estimates of his military leaders were very faulty, but he did not expect to see his words proven so rapidly. Unfortunately, he feared that most Chinese lacked the courage to speak the truth to the Generalissimo. He asked Dr. Soong how frank he was with the Generalissimo. Dr. Soong replied that he was brutally frank. He added that the Generalissimo always acted on the side of the right and wisdom when the merits of a case were presented to him. The trouble lay with the military leaders who clouded facts to prove their point.

Dr. Soong stated that he could speak frankly with the Generalissimo because, although few people knew it, the Generalissimo actually had more need of him than he had of the Generalissimo. General Marshall stated that he had always been vastly impressed that he himself could speak so frankly to the Generalissimo, and yet the Generalissimo remained courteous, composed and cordial. It took a really big man to so conduct himself. Dr. Soong replied that the Generalissimo acted as he did with General Marshall because he truly believed that although General Marshall did not understand the whole situation, he was speaking honestly for the good of the Generalissimo and the good of China, as he saw it.



Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter to General Marshall*<sup>87</sup>

[WASHINGTON,] 8 January 1947.

89252. The President this morning talked to me about the premature announcement of your nomination.<sup>88</sup> He expressed regret that the release had been necessitated by what appeared to be a leak on Mister Byrnes' resignation. The President had hoped that the release could have been made as originally scheduled on the 10th, at which time you would have been in Hawaii.

He stated that this should not affect your previous plans for Hawaii stopover. He also said that the State Department would continue to function with the same key personnel until you arrive and have had time to assume command.

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121.893/1-947 : Telegram

*General Marshall to the Secretary of State*<sup>89</sup>

NANKING, 9 January 1947.

[Received January 9—7:19 p. m.]

84. The Office of General Marshall Nanking China is discontinued effective 11 January 1947. On this same date the Embassy Liaison Office Nanking China is established and is responsible for all functions formerly handled by the Office of General Marshall Nanking China pertaining to activities in China. The Embassy Liaison Office will operate under the direct control of the Embassy. The Embassy Liaison Office will use the radio call sign "OMEN".

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel George V. Underwood to General Marshall*<sup>90</sup>

[NANKING, January 9, 1947.]

1915. Official Chinese reaction to your recall, statement and appointment not yet apparent.

Swift sequence of surprise events has temporarily stunned all quarters, but distinct reactions are expected as soon as the shock subsides.

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<sup>87</sup> Relayed to Fort Shafter, Hawaii, for transmission to General Marshall on arrival.

<sup>88</sup> As Secretary of State; the nomination was confirmed by the Senate on January 8; General Marshall took the oath of office on January 21, 1947.

<sup>89</sup> This telegram, signed by General Marshall, was despatched the day after his departure from China; it was also signed by Col. George V. Underwood, in charge of the newly-established Embassy Liaison Office.

<sup>90</sup> General Marshall was vacationing in Hawaii and forwarded this telegram on January 12, 1947, to Colonel Carter for the Office of Far Eastern Affairs, Department of State.

This morning, 9 January local calendar, I called on Doctor Stuart. He talked yesterday afternoon to Doctor T. V. Soong who was greatly pleased with your statement and regarded your appointment as Secretary of State as most fortunate for China. Doctor Soong then lunged into a discussion of reform measures and prospects of financial assistance from the United States. Doctor Stuart advised him to proceed with urgent reconstruction and that he probably could look to the United States for help on non-controversial projects. I advised Doctor Stuart to fend commitments in the economic field pending developments following your consultations in Washington.

I sensed pressure from Doctor Soong to drag Doctor Stuart into policy matters hoping thereby to obtain favorable commitments. For this reason and because he touched on the subject I took the occasion to suggest respectfully that his role in the present interim period might well be one of watchful waiting and careful observation of Chinese reaction to recent events and manifestation of future intentions, particularly regarding a genuine Government offer for renewal of negotiations and Communist reaction thereto. He endorsed this view.

Doctor Stuart had expected the Generalissimo to call for him following your statement and rumored appointment. This was not done and Doctor Stuart now intends to see the Generalissimo this afternoon. Doctor Stuart said that the primary purpose of the meeting was to carry out your instructions for following up your explanation to the Generalissimo of your sudden recall and the necessity of your frank statement. He also intended to inform the Generalissimo that knowledge of your forthcoming appointment as Secretary of State had prevented your giving a definitive answer to the Generalissimo's request that you remain in China as his advisor. I recommended against this course, based on your explicit instructions that no indication should be given of any prior knowledge concerning the State Department post. He then stated that he would simply refer indirectly to your bewilderment over the 10 January date mentioned in radios concerning your recall which was now explained by your appointment and which had complicated your discussions with the Generalissimo regarding the advisory post.

The announcement of the confirmation of your appointment as Secretary of State came while I was in Doctor Stuart's office. He asked me to tell you that he would always be pleased to serve under you in any capacity. He hoped that the fellowship developed in China would endure. He would rather serve under you than under any other person. On regarding his role in China, he liked to think of himself as following up your sound, constructive policies. It was his permanent intention to seek to help the Chinese Government to

achieve solid reforms in order to win the confidence of the people of China and the world at large. This course, in the end, he regarded as the surest way to solve the Communist problem.

Mister Butterworth just returned from seeing the Minister of Foreign Affairs. Doctor Wang asked Mister Butterworth to convey "His every good wish for success in your new high office." Mister Butterworth cast a fly over Doctor Wang for reaction to your statement but Doctor Wang did not rise to the bait. He gave the impression of being pleased but his only direct comment was that your statement was "Unusually frank." This message has been shown to Mister Butterworth who expressed agreement with the contents.

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel George V. Underwood to General Marshall*<sup>91</sup>

[NANKING, January 9, 1947.]

1918. I have just talked with Doctor Stuart upon his return from a 9 p. m. conference with the Generalissimo. He stated that the Generalissimo appeared calm, very much at ease and most genial. The Generalissimo was sincerely pleased with your appointment as Secretary of State. Like Doctor Soong, he regarded your appointment as of definite advantage to China. In keeping with 1915, Doctor Stuart found occasion to briefly explain events leading up to your appointment without specifically indicating prior knowledge on your part. Doctor Stuart said that the Generalissimo understood the situation fully and was not disturbed that he had not received advance notice of your appointment. In short, Doctor Stuart felt that none of the recent events have detracted in the least from the Generalissimo's high regard and affection for you.

The Generalissimo referred to his previous discussions with you concerning the establishment and supervision of Military and Civilian Advisory Groups to China. The Generalissimo specifically requested Doctor Stuart to ask you if you would see that a suitable individual was furnished to China to supervise and coordinate these two groups now that you are no longer available. Doctor Stuart agreed to relay the question to you. He will not communicate separately with you. This radio represents his action in the matter.

The Generalissimo asked Doctor Stuart if the time was propitious for sending a peace delegation to Yen-an and, if so, what procedure should be followed. He stated that the Minister of Information was issuing an official Government statement tonight that would be carried

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<sup>91</sup> Forwarded by General Marshall in Hawaii to Colonel Carter, the Office of Far Eastern Affairs, Department of State, on January 12.



in tomorrow morning's (10 January) newspapers. The statement will say that now that the constitution has been adopted and plans developed for the reorganization of the Government, the National Government would be greatly pleased if the Communist Party could find it possible to participate in the reorganized Government along with the minority parties. Doctor Stuart asked if there was anything in the statement that could be considered provocative or irritating by the Communists. The Generalissimo replied negatively. The Generalissimo asked if Doctor Stuart could still be used as a medium for communicating with the Communists. Without replying directly, Doctor Stuart stated that tomorrow, 10 January, he was to see Mister Wang Ping-nan at the latter's request. The Generalissimo then asked Doctor Stuart if in the discussion with Mister Wang Ping-nan he would make reference to the Government's published statement by way of seeking Communist reaction to same. Doctor Stuart agreed to do this. Doctor Stuart does not expect a definite answer from Mr. Wang Ping-nan tomorrow, nor does he in the long run expect the Communists to accept the Government's invitation for participation in the Government. He anticipates an evasive reply to the Government proposal.

I recognize that your new horizons are global and your problems manifold. However, I have reported at some length for I feel that you have a deep interest in the effect of a new Government proposal for participation by the Communists because of its bearing on future China policy and disposition of Executive Headquarters and the Marines.

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111.11/1-1047 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, January 10, 1947.

[Received January 10—8:55 a. m.]

47. Central News Agency release of MOI<sup>92</sup> press conference on January 8 was first public reaction to General Marshall's statement and his designation as Secretary of State. Minister Peng Hsueh-pei<sup>93</sup> stated: "General Marshall's promotion does not mean any change of policy on the part of the Chinese Government."

Queried as to how the Chinese Government regards General Marshall's return to the States and whether it means an aggravation of hostilities with the Communists, the Minister said: "We appreciate the efforts General Marshall has put forth for China during the last year and we recognize his achievements as stated by President Truman.

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<sup>92</sup> Chinese Ministry of Information.

<sup>93</sup> Chinese Minister of Information.

The very fact that he has been elevated to the position of US Secretary of State shows the same appreciation on the part of the Americans. As to the second part of the question I don't see how the two are connected."

When questioned as to his reaction to General Marshall's statement [ , he stated: "I have read it?] but have not had time to study it carefully. I note many of his ideas are those which he has mentioned to me on previous occasions. I am sure that General Marshall made the statement in a sincere and friendly spirit, and it is in that same spirit that I regard the statement."

STUART

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111.11/1-1047: Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, January 10, 1947.

[Received January 10—7:46 a. m.]

49. Following is text of Democratic League's statement on designation of General Marshall as Secretary of State. Statement is from *Hsin Min Pao* January 9th:

"We congratulate the United States on making the right choice and General Marshall on his new appointment.

"That General Marshall has not accomplished his mission in China is not a personal failure but is a failure of American policy. He has been in China for more than a year and he knows that the Chinese people want real peace and democracy. On these two problems we desire the assistance of our friendly powers in general and that of Soviet Union and the United States in particular.

"Having been appointed to an important post General Marshall will be able to make use of his experience and understanding of the Chinese problems which he gained while he was out here for the promotion of the Sino-American friendly relations and the establishment of peace in the Far East and the world."

STUART

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711.93/1-1047: Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, January 10, 1947—noon.

[Received 8 p. m.]

50. Spokesman Communist delegation, Wang Ping-nan, called at Embassy morning January 9 and in course of conversation expressed opinion that in his statement General Marshall had castigated both Communist Party and Kuomintang but with greater emphasis on

former. He suggested that there were three possible courses of American action in China at present time: (1) no change in policy; (2) that US would bring pressure to bear on Kmt to bring about some measure Govt reform perhaps including non-Kmt elements and if such developed US would assist Govt even though Communists were unwilling to cooperate therein, and (3) that US would withdraw from China completely. When asked which of three he thought preferable, he said that he favored the third but thought that US would follow some course closer to second.

Wang expressed great interest in appointment of General Marshall as Secretary of State and inquired how appointment would be received in US. It was pointed out to him that appointment had been unanimously approved by Senate without trace of opposition. Wang vouchsafed that appointment would also be welcomed in Soviet Union and in this connection he remarked that within recent months there has been marked improvement in Russo-American relations. He went on to say that General Marshall's presence at forthcoming Foreign Ministers Conference might bring about another improvement. On whole Wang, who throughout conversation stated he was expressing only his personal views to an officer of the Embassy with whom he has been acquainted for some years, seemed pleased with appointment, emphasizing importance of fact that new Secretary of State had close personal knowledge of China and problems here.

General impression was gathered that Communist delegation here reacted not unfavorably to General Marshall's statement. Wang expressed gratification on two points brought out therein: (1) that basic PCC agreements had been sabotaged by Kmt and (2) that influence of Kmt military leaders in Govt was deplored.

STUART

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111.11/1-1147 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, January 11, 1947—10 a. m.

[Received January 12—8:40 a. m.]

61. The impact of three startling developments concerning General Marshall within a period of 36 hours has shocked the Chinese public and Chinese officialdom into silence—be it from surprise or evasion. Typical of this reaction was statement by Minister of Information (Embtel 47, January 10) which was read carefully and with obvious unease. Chinese were ill-prepared for this rapid succession of events since they had assumed from President Truman's December 18 statement that General Marshall's departure would not come so soon, nor



had they been prepared in any sense for resignation of Secretary Byrnes or his replacement by General Marshall. It is evident that most comment will be exceedingly guarded until the meaning of these developments can be studied and their possible consequences for the groups concerned weighed and sifted as well as some decision to be taken at a top level as to what Chinese policy must be to meet the situation. Certainly there had been no expectation that any pronouncement would have been as forthright as was General Marshall's statement. The only comment by the Foreign Minister was typical in this respect when he said to Minister-Counselor that the statement was "unusually frank". Both T. V. Soong and the Generalissimo told me that they were delighted with the statement and were happy as they could be with the appointment. In the case of T. V. Soong, it seems likely that his reaction was at least partially the malicious pleasure of a politician without a political party who sees the two leading parties equally castigated. The suggested initial pleasure of the Communists (Embtel 50, January 10, noon) is undoubtedly attributable to the fact that this is the first statement which, though it censures them, is equally hard on the Kuomintang.

The statement and White House announcement of General Marshall's appointment were lead stories in all papers January 9. Text published in full as released by USIS,<sup>94</sup> except that Kmt papers deleted the word "reactionaries" two [so?] that the phrase read "there is a dominant group in the Kmt" and the line "devastating in its effect" was modified to read "its influence has become invulnerable". Kmt papers also published text of statement with a simple explanatory headline whereas independent papers used several descriptive sub-heads. Kmt papers coincidentally gave almost equal prominence to Minister of Information's statement under headline "No Change in US Policy Toward China After Marshall's Appointment to New Post".

Preliminary comment has assiduously used generalities and has avoided coming to terms with the issues posed by the statement and the appointment. Several papers tried to read into it their own particular views, though tending more to concentrate on the appointment and so far as possible ignoring the statement. In Shanghai the powerful C-C<sup>95</sup> clique's *Sin Wen Pao* said the appointment shows the importance the US attaches to the China problem and expressed the belief that General Marshall by his understanding of China will continue to help the country. C-C clique *Shun Pao* praised General Marshall's spirit of tolerance as having had a great deal to do with the enactment of the constitution. After congratulating him

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<sup>94</sup> United States Information Service.

<sup>95</sup> The Chen brothers, Li-fu and Kuo-fu, prominent Kuomintang members.

on his new appointment, the paper said it would refrain from commenting on his statement. Paper emphasized the development of China's situation to the present stage as against its historical background and hoped that General Marshall would continue to help China from a "new and broader angle". Shanghai conservative independent *Ta Kung Pao* said the appointment indicates a shift of American attention to the Far East and that his knowledge of Chinese affairs is an indication of this emphasis—"General Marshall's failure in his China mission is very much to be regretted, but this is China's failure—not his . . ."<sup>96</sup> His statement shows his strong hatred of the extremist elements in both the Kuomintang and the Communists. He also tells frankly of his earnest desire to see the Liberals in the Kuomintang and the minority groups work together to broaden the democratic basis of the Government and to practice constitutionalism in China under the leadership of President Chiang. China must strive by herself to stop civil war and achieve internal peace."

Shanghai English language press also featured statement and appointment. *China Daily Tribune* commented but without taking any line more definite than to recapitulate the statement and express regret that events had forced this development. British-subsidized *North China Daily News* saw in statement confession of American failure in China. H. H. Kung's *China Press* was the most candid: "Further mediation in China must be ruled out under the present circumstances prevailing in this country. On the evidence at hand it would seem that the United States is through with hoping for an 11th hour miracle to materialize out of the present situation. In any case, the report made by General Marshall indicates that the US will not commit itself further in this country either politically or economically, until she is absolutely certain of what the prospects for peace are and exactly who is to benefit from the aid given to China."

The Nanking press was equally cautious in its preliminary comment. The only prominent independent paper, *Hsin Min Pao*, went no farther than to say that General Marshall as Secretary of State will be a deciding factor in American policy and that since he understands China, there will be no drastic changes in the fundamental principles of American policy: "It is probable that there will be improvements in the techniques of executing American China policy and there will be certain desirable measures which will be adopted." Whampoa clique *Ta Tao Pao* came to the remarkable conclusion that developments of the last few days had been caused by student demonstrations. The Army *Ho Ping Jih Pao* congratulated General Marshall on his appointment and said, "With his departure he will no

<sup>96</sup> Omission indicated in the original.

longer be directly responsible for the restoration of peace to China. He is going to shoulder greater responsibilities." The *Chiu Kuo Jih Pao*, subsidized by the Ministry of National Defense, apparently read only those sections critical of the Communists, because it drew the conclusion that General Marshall, since he now understands China, will dedicate the US to the complete extermination of Communism in China by all-out support to the Central Government. Catholic *Yi Shih Pao* congratulated him and wished him well.

Kmt *Chung Yang Jih Pao* used several hundred words in avoiding any opinions or conclusions except to express its conviction that General Marshall, by this experience, was well qualified for his new assignment and the problems of China. The papers did, however, go on to lay practically the entire blame on the Communists—"Out of the desire to make China a stabilizing force in the Far East and a pillar of peace in the world, every patriotic Chinese hates war, dissension and dictatorship. However, the Communists are worshippers of war, dissension and dictatorship. Without getting over war, dissension and dictatorship, obstacles placed in the way by the Communists, China cannot hope to have real peace, unity and democracy. To get over the three obstacles will require a reasonable amount of time. This may have caused impatience to China's friends. But we wish to inform them that they must not get discouraged because there are so many obstacles to surmount." The most extraordinary editorial was C-C clique *Ta Kung Pao* which confined itself solely to discussing the domestic American political scene and the relationship between the American Executive and Congress. The only reference it made to China was that American policy toward China naturally is an outgrowth of the American scene.

STUART

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711.93/1-1347: Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, January 13, 1947—7 p. m.

[Received January 14—1:12 p. m.]

68. Herewith statement issued by Chen Li-fu<sup>97</sup> at exclusive interview with Tillman Durdin of *New York Times*. Since story will not appear until *Times* of 14th or 15th, contents are confidential until publication. Chen Li-fu told Durdin that this statement would not be released for publication in China but it is almost certain that American news services and possibly Central News Agency will pick up

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<sup>97</sup> Minister of the Kuomintang Organization Board.



story from *Times* and send condensed versions back to China. Statement follows in full:

"In answer to a request from Mr. Tillman Durdin of the *New York Times* asking his reaction to General Marshall's statement, Mr. Chen Li-fu, the Kuomintang Minister of Organization, said:

'First of all, I wish to congratulate General Marshall for his achievements in fulfilling his mission since his arrival in China. He contributed much toward bringing together the various political parties, though it is regrettable that the Chinese Communist Party finally decided to abstain from participating in the National Assembly. He contributed toward expediting the successful convocation of the National Assembly, and, above all, the adoption of what he described as a "democratic constitution which in all major respects is in accordance with the principles laid down by the all-party Political Consultative Conference of last January".

'Secondly, I admire him for the insight he has shown in his study of the Chinese problem. I fully share his point of view on the Chinese Communist Party. If, however, he could have devoted a little more time in contacting members who take a leading part in the Kuomintang, his appraisal of the Chinese situation, in its proper breadth and depth, might have been more enlightening.

'Thirdly, General Marshall is correct in pointing out that China's Communist problem is different in character from that of the U.S. He is also right in warning the American public against the danger of evaluating the armed and powerful Chinese Communist Party by the standards used in evaluating small Communist groups in America.

'Fourthly, General Marshall shows remarkable knowledge in pointing out that the Chinese Communist Party is determined in conducting "a very harmful and immensely provocative" propaganda without regard for the facts, without any regard for the suffering of the people, and that they are equally determined in engineering the overthrow of the Government and the collapse of the national economy.

'Fifthly, General Marshall is particularly sound in calling our attention to the fact that the Chinese Communists are Marxists of the pure breed and "intend to work toward establishing a communistic form of government in China", and that in this sense they are a different species from agrarian reformers, as some Americans have unwittingly considered them to be.

'Sixthly, I entirely agree with him on this thesis that China henceforth should bring about constitutional democracy by enforcing the new constitution and welcoming the minor political parties into the Government.

'What is regrettable—and indeed a shame to us—is that General Marshall, a great friend from a great ally, in spite of his advanced age and in spite of hardships and pains, has labored and struggled in China's cause during the last 13 months and in the end has earned the distrust of a handful of the Chinese, that is the Chinese Communist Party. In the deliberate misrepresentation and abuse of the action, policies, and purposes of the American Government the Communist propaganda has been without regard for the truth, without any regard whatsoever for the facts, and has given plain evidence of a determined

purpose of misleading the Chinese people and the world and to arouse a bitter hatred of Americans—it has been difficult to remain silent in the midst of such public abuse and wholesale disregard of facts, but a denial would merely lead to the necessity of daily denials, an intolerable course of action for an American official. When I read these sentences I could well imagine putting myself in his place, how painful and disillusioned at heart he must have been.

‘But to those who are familiar with Communist tactics, it is not surprising at all. Is it not true that during the past 20 years the Chinese Communists have every day been using the same method, and even more vehemently, against the Government of their own country and their own people? Have they not been purposely distorting the truth, misrepresenting the facts, and indulging in vicious and abusive propaganda with the plain intention of misleading the Chinese people and the world and arousing a bitter hatred of the Chinese Government and the Kuomintang? Take myself as an example. I was the first pioneer in blazing a trail for cooperation between the Kuomintang and the Communists. In fact, I was the man who actually brought to consummation the plan of cooperation for the initial period. Yet today the one who has suffered most from their misrepresentation, insults, and abusive tactics is none other than myself. In view of my own experience, anyone, accustomed to Communist tactics, should not take their attacks on the US as something unusual or surprising.

‘Most of the Kuomintang delegates in the National Assembly are persons who have either been schooled in Anglo-American liberalism or influenced by it. Unfortunately, they are the same persons who have been painted by Communist propaganda as “reactionaries” or “die-hards”. In point of fact, however, they are also the “liberals” who have adopted a democratic constitution which in all major respects “is in accordance with the principles laid down by the all-party Political Consultative Conference of last January”. The Communists are always masters in devising catchwords and slogans and in using them as deadly ideological weapons. They do so without the slightest moral scruples and with such persistency that people are unconsciously influenced and in the end take the thing at its face value. During the last 20 years, those who have uncovered or frustrated the Communist plot of “establishing a Communist form of government in China” have come under the label of “reactionaries and die-hards”.

‘The study of political problems is the same as that of scientific problems. When the scientist approaches a problem of science, he must keep himself in closest contact with the phenomena under study, and, by thoroughly investigating and analyzing all the relevant facts involved, discover the truth. The same method should be used in the study of the problems of politics. Staying [in] China for 13 long months, possessed of immense wisdom and enthusiasm, and armed with a scientific method and mind, General Marshall, after a careful study of the situation, has come to discover [that] “a very harmful and immensely provocative phase of the Chinese Communist Party procedure has been in the character of its propaganda” and that “the dyed-in-the-wool Communists do not hesitate at the most drastic measures to gain their end”. Also it is no wonder that the General

should have realized that the Chinese Communists are Marxists of the pure breed and that their action and words are merely the means and policy with which to attain their ultimate aim of "establishing a Communist form of government in China". So, while the "democratic form of government of the American or British type" is the very ideal that the Kuomintang has been for years advocating and striving to achieve, this form of government, as General Marshall has rightly put it, is only a medium through which the Chinese Communist Party intends to reach its final goal.' " End statement.

Sent also direct to General Marshall at Honolulu.<sup>98</sup>

STUART

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Marshall Mission Files, Lot 54-D270: Telegram

*Colonel George V. Underwood to General Marshall*<sup>99</sup>

NANKING, 13 January 1947.

1937. I showed 1934<sup>1</sup> to Doctor Stuart. He considered Chen Li-fu's statement as unnecessary proof of his fanatical hatred of the Communists. He imagined that Chen Li-fu wrote with relish, hoping that the statement would be widely published. He did not regard the statement as indication of a rift between Chen Li-fu and the Generalissimo, but rather as evidence of the Generalissimo's long-standing difficulty in controlling hard-headed members of the party.

Doctor Stuart felt that the combination of the Generalissimo's interview (1932<sup>2</sup>) and the Chen Li-fu statement would practically destroy all hopes for a Government peace delegation to Yen-an. He, however, had never expected the Yen-an Peace Mission to materialize.

Governor Chang Chun<sup>3</sup> has just returned from Shanghai where he sought to line up the minority parties for participation in the reorganized Government. Future Government moves will probably await Generalissimo's reaction to Chang Chun's report and an answer from Yen-an to Minister Peng's statement (106).<sup>4</sup>

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<sup>98</sup> Colonel Underwood sent substantially the same message in telegram No. 1934, January 13, to General Marshall. It differed only in an introductory paragraph which asked General Marshall to evaluate Chen Li-fu's statement "in the light of the rapidly dimming prospects for a Government peace delegation to Yen-an".

<sup>99</sup> Forwarded by General Marshall in Hawaii to Colonel Carter in Washington.

<sup>1</sup> See footnote 98 above.

<sup>2</sup> January 12, not printed; it reported an interview on January 11 between President Chiang and the correspondents of *Newsweek*, the *New York Times*, and *Time* when the Generalissimo firmly stated his point of view that the Chinese Communist Party was alone responsible for the 1946 negotiations being broken off and for repeated violations of cease-fire agreements which General Marshall had assisted in negotiating.

<sup>3</sup> Formerly Governor of Szechuan, Chinese Government representative in negotiating cease-fire agreements.

<sup>4</sup> January 10, not printed.



General Chou En-lai is to make an important radio broadcast from Yen-an tomorrow, 14 January, on your statement and events of the year following the Political Consultative Conference. Full text of the broadcast will be sent to you soonest.

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121.893/1-1547 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, January 15, 1947.

[Received January 15—8:29 a. m.]

75. Following is the official Central News [Agency] report on President Chiang's comments on General Marshall's statement given at weekly memorial service, January 13:

"Prior to his departure for the United States, General George C. Marshall made some remarks as a supplement to President Truman's statement on the United States Policy in China issued at the end of last year. Many people have asked for my views as to his remarks. As different people have looked at things from different angles, there have already been many misinterpretations. I think we must read his remarks together with President Truman's statement in order to grasp the whole picture. We cannot say that the judgment he has passed on us is unfair. But, if we read General Marshall's comments alone or without reference to President Truman's message, we are bound to get misunderstanding. Comrades, I want to draw your attention particularly to the first paragraph of General Marshall's comment. In it he has clearly mentioned 'I should supplement this (President Truman's statement) with impressions gained at first hand.' My views cannot be said to be completely identical with those of General Marshall. But in view of his mission and his own position, in making such a report to the American people, he may be said to be frank, impartial, sincere, and friendly; and the statement is a very constructive one. As to all the criticisms he directed against our party and the Government in his statement, I have always borne in mind his mission and his traditional friendship for China. During his 1-year stay here, he has gone through all sorts of pains in helping China achieve peace and unity. Moreover, he has devotedly and eagerly hoped that China will become a powerful democratic country. This is the point that we should particularly take note of. I think that our revolutionary party should accept good-naturedly any well-intentioned criticisms, come from whatever angles they may. There is an old Chinese saying that 'if we have faults, we should mend them; and if we have none, we might just as well be spurred to further effort.' This is the attitude that we should also adopt toward General Marshall's statement, an attitude that will do both the nation and the party good."

STUART

121.893/1-1748 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, January 17, 1947—9 a. m.

[Received January 17—8:18 a. m.]

86. Reports have now been received on press reaction to the statement and new appointment of General Marshall from those areas not covered in previous Embassy telegrams. The similarity of this additional comment to that already reported is rather striking.

In brief, it has tended to be on General Marshall's designation as Secretary of State and to approve that designation, at the same time expressing gratitude of China for his efforts in the interest of China's peace. This applies to the independent, liberal and left wing (with the exception of the Communists) press, as well as Government and party. All these papers, in expressing approval, are at some pains to point out that if there is still civil war and disunity in China the fault is not that of General Marshall, but of circumstances, the Government, the reactionaries or the Communists—depending upon the politics of the writer. Nowhere in National Government areas has there been more than cautious and indirect references to the statement.

As [A?] statement came from the Gmo but even he confirmed [*confined?*] himself to expressing his confidence in the integrity and good intentions of the statement and to saying there were certain points with which he did not agree.

Official Communist reaction was the speech by General Chou En-lai on January 10.<sup>5</sup> Although most of his assertions do not correspond to the truth, still he leaves very little doubt as to where he stands.

Government and party press have remained largely non-committal. Presumably specific reaction will not come until the official line has been laid down. Far less easy to explain is the silence of independent and influential papers such as *Ta Kung Pao* and *Hsin Min Pao* which have seldom been known to lose an occasion for jumping on the Government.

[Here follow quotations from press comment.]

STUART

111.11 Marshall, G. C./1-2847

*President Truman to Generalissimo Chiang Kai-shek*

WASHINGTON, January 28, 1947.

MY DEAR PRESIDENT CHIANG: Thank you for your cordial letter of January seventh written on the occasion of the departure of General Marshall from China.

<sup>5</sup> See *United States Relations With China*, p. 706.

Your expression of appreciation of General Marshall's assistance is a matter of gratification to me. I earnestly hope that the objectives for which he worked with such great devotion and ability may soon be attained.

With expressions of my esteem and highest regard, I am,

Very sincerely yours,

HARRY S. TRUMAN

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[General Marshall's Final Report, consisting of 570 typed pages of narrative, is not printed here. It is a factual account of his mediation efforts and is based upon minutes of conversations, telegrams, and other documents included in this printed record of his mission. On October 1, 1946, he wrote the Secretary of State that a detailed report "on my mission to China" was being prepared for him and that it seemed advisable to transmit the report section by section as completed "as they contain many details which could not be incorporated in my radios which may be of important interest to the Department." By December 7, 1946, six installments of the report, comprising 31 sections in 476 typed pages, had been forwarded to the Secretary of State. The last three sections and the annex were presumably prepared following General Marshall's return to Washington to assume duties of Secretary of State. The report contains no over-all recommendations nor evaluation. General Marshall's final conclusions were made separately in his statement released January 7, 1947.]

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#### XVIII. WITHDRAWAL OF THE UNITED STATES FROM PARTICIPATION IN EXECUTIVE HEADQUARTERS; RETURN OF COMMUNIST PERSONNEL TO COMMUNIST TERRITORY (JANUARY 23-MARCH 9, 1947)<sup>9</sup>

Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel George V. Underwood<sup>7</sup> to Colonel Marshall S. Carter<sup>8</sup>*

NANKING, January 23, 1947.

1969. While reviewing General Marshall's final report<sup>9</sup> I noted that the agreement entitled "The Executive Headquarters" signed on 10

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<sup>9</sup> These 1947 documents are here printed with the 1946 record in order to bring the account of the Marshall Mission together.

<sup>7</sup> Officer in charge of the Embassy Liaison Office, successor to General Marshall's Office in China.

<sup>8</sup> General Marshall's special representative in Washington.

<sup>†</sup> See bracketed note, *supra*.



January 1946 by General Chang Chun and General Chou En-lai contained the following final paragraph:<sup>10</sup>

"The Executive Headquarters shall remain in existence and operate until this agreement is rescinded by the President of the Republic of China or the Chairman of the Central Committee of the Chinese Communist Party after due notification to the other party."

While General Marshall was not a signatory to this agreement, still this document covers the American Commissioner, the American Director of Operations and the American Branch of Executive Headquarters. It would seem, therefore, that any unilateral action by the United States Government to withdraw its personnel from Executive Headquarters should be accompanied by a formal notification of intent to the Generalissimo<sup>11</sup> and to Chairman Mao Tze-tung.<sup>12</sup> This notification could also include a deadline for return of CCP personnel to CCP areas as a U. S. responsibility.

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Marshall Mission Files, Lot 54-D270

*Memorandum by the Director of the Office of Far Eastern Affairs  
(Vincent) to the Secretary of State*

[WASHINGTON,] January 24, 1947.

1. The establishment of the Executive Headquarters at Peiping was provided for in the truce agreement<sup>13</sup> reached between the Chinese Government and the Chinese Communist Party as a tripartite agency for implementing that agreement, and this agency was subsequently entrusted with the carrying out of other agreements reached between the two Chinese factions. It is, therefore, indelibly associated with those agreements. In the light of the foregoing, it is now believed advisable to withdraw the United States Branch of the Executive Headquarters for reasons as follows:

(a) The recall of General Marshall and the end, at least for the time being, of the American mediation effort virtually ends the present usefulness of this agency. Its United States Branch has been under strong attack from the Chinese Communist Party for many months, and the Headquarters has necessarily become inseparably identified with the truce agreement of January 1946, which is now completely discarded, as well as with other agreements more or less abandoned.

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<sup>10</sup> For text of agreement, see Department of State, *United States Relations With China* (Washington, Government Printing Office, 1949), p. 627. Generals Chang and Chou were then, respectively, Chinese Government and Chinese Communist Party representatives in the cease-fire talks conducted by General Marshall. General Chou also was head of the Chinese Communist Party delegation at Chungking and Nanking.

<sup>11</sup> Chiang Kai-shek, President of the Republic of China.

<sup>12</sup> Chairman of the Central Committee of the Chinese Communist Party.

<sup>13</sup> January 10, 1946, vol. ix, p. 125.

(b) Neither of the two Chinese Branches of the Executive Headquarters gives any indication of seeking to utilize this agency for the purpose of bringing peace to China, but neither side apparently wishes to take the responsibility for abolishing this agency.

(c) The Executive Headquarters has for some time virtually ceased to function. Its field teams—the vital elements—have either been withdrawn from the field or, where teams are still in the field, there are no National Government representatives on teams in Communist areas or Communist representatives on teams in National Government territory.

(d) There seem to be no prospects for an early resumption of peace negotiations between the National Government and the Communist Party—the last attempt being the Government's offer to send a special delegation to Yen-an, which failed because of "misguided" Government publicity and excessive Communist demands (i. e., a return to the positions held on January 13, 1946, and the dissolution of the National Assembly).

(e) Retention of Executive Headquarters in anticipation of a resumption of negotiations would require the continued maintenance for an indefinite period of a presently ineffective organ and of United States Marine units necessary for the security and logistical support of the United States Branch and would raise the question of the possibility of the Headquarters' ever being an effective instrument in view of its lowered prestige in the eyes of many Chinese resulting from its previous ineffectiveness and Communist Party propaganda attacks thereon.

(f) The withdrawal of the United States Branch of the Executive Headquarters on an orderly schedule would permit the evacuation of those United States Marine units now engaged in providing security and logistical support to the United States Branch of the Headquarters, thus removing an object of propaganda attack from Chinese Communist and other Chinese sources. The withdrawal of these Marine units, following the evacuation of the United States Branch, would be so timed as to prevent creating the impression that the Marines were being withdrawn as a result of propaganda attacks.

2. If the continued existence of the Executive Headquarters were based on the assumption that the presence of American forces in China was necessary for purposes of over-all strategy to assure a "foothold" on the Asiatic continent, this would constitute subterfuge on the part of the United States, since the original purpose of this agency was clearly defined as the implementation of the truce agreement. Therefore, the continued maintenance of forces in China through the existence of the Executive Headquarters might carry with it a definite liability from the standpoint of our moral position in that country without any accompanying compensating advantages of vital importance. The advantages of a so-called military "foothold" would be outweighed by the factors arguing against the continued maintenance of American forces under this guise.

3. An outline plan prepared by the concerned United States Army authorities in China for the withdrawal of the United States Branch of the Executive Headquarters envisages the completion of the inactivation and evacuation procedures for the United States Branch of the Headquarters during a period of 120 days:

(a) During the first 30 days, inactivation of the United States Branch of the Executive Headquarters at Peiping and of the Advance Section at Changchun and the return of the field teams and their related supplies would take place, all personnel to revert to the Peiping Headquarters Group for redeployment or for reassignment. Arrangements would be made for disposition of supplies and Communist Party personnel would be returned to Communist areas.

(b) During the second 30 days, disposal of Air Force personnel and final liquidation of property at the airfield at Peiping would be carried out by the Air Division of the Army Advisory Group, which would be given operational control of the U. S. 332nd Troop Carrier Squadron now serving as a part of the Executive Headquarters.

(c) During the final period of 60 days, a residual detachment of approximately 50 men, attached to and receiving administrative and logistical support from the Army Advisory Group, would complete the liquidation of the Peiping establishment.

4. The agreement signed by the National Government and Chinese Communist representatives on January 10, 1946, provided that Executive Headquarters should remain in existence and operation until this agreement should be rescinded by the President of the National Government or the Chairman of the Chinese Communist Party after due notification to the other. When the decision is made for the withdrawal of the United States Branch, notification of intention to take such action should be communicated by our Ambassador at Nanking<sup>14</sup> to the Generalissimo and through the Communist delegation at Nanking to Chairman Mao Tze-tung. At the same time they should also be informed that United States facilities will be provided for the return of Communist personnel to Communist areas and a deadline should be established for such movements.

Final action in this matter should await the early submission by the United States Army authorities in China of a detailed plan, which will be based upon the above-described outline plan.

J[OHN] C[ARTER] V[INCENT]

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<sup>14</sup> Dr. J. Leighton Stuart.



Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter to Colonel George V. Underwood,  
at Nanking*

[WASHINGTON,] 27 January 1947.

90664. From Marshall. Please pass the following message to Doctor Stuart:

Message begins: The President has decided that American participation in Executive Headquarters should be terminated as expeditiously as practicable. Please inform the Generalissimo and Chairman Mao Tze-tung, through the Communist Delegation in Nanking, as follows:

"The US Government has reached the decision to terminate its connection with the so-called Committee of Three and the Executive Headquarters in Peiping established on the recommendation of General Marshall by that Committee in January 1946."

The necessary time will be allowed, and assistance given, by American branch of Executive Headquarters to return Communist personnel to CCP Areas as desired. The time limit involved in the return of this personnel should be determined by you on the recommendation of Executive Headquarters and both parties should be informed accordingly.

The foregoing decision should not operate to interfere with assistance by you if either side initiates appeal to you, in your normal functioning as American Ambassador, for assistance in the various problems peculiar to the Chinese situation. The above however does spell conclusion to negotiations which were initiated by me in December of 1945. Should a decision be reached to reopen negotiations they of course would probably take a new shape and you would be duly advised as to whether or not it is desirable for the Embassy to participate. End of message.

For Underwood only: One day after Doctor Stuart advises the Generalissimo and Mao Tze-tung as above, have General Gillem<sup>15</sup> tell the same thing to the two Sino Commissions at Executive Headquarters. Also expedite the detailed plan and keep Caughey<sup>16</sup> advised. He is coordinating the matter now with War and Navy Departments.

D-Day for withdrawal will be announced by me as soon as possible in accordance with your detailed planning. It must be soon, however. Instructions regarding the relief of the Marines, except at Tsingtao, will be given later in conformity with the approved plans for the termination of American participation in Executive Headquarters.

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<sup>15</sup> Lt. Gen. Alvan C. Gillem, Jr., American Commissioner of Executive Headquarters at Peiping.

<sup>16</sup> J. Hart Caughey, formerly Executive Officer on General Marshall's staff in China, had returned to duty with the War Department.

It is very important that there be no leak to the press prior to a formal and simultaneous public announcement here and in Nanking. The timing will have to be regulated in Nanking as it should follow immediately after Doctor Stuart's visit to the Generalissimo and CCP. For this reason the visits should follow close on each other. You should radio release date and hour to State Department. The text for such announcement follows:

"The U. S. Government has decided to terminate its connection with the Committee of Three which was established in Chungking for the purpose of terminating hostilities in China and of which General Marshall was Chairman. The U. S. Government also has decided to terminate its connection with Executive Headquarters which was established in Peiping by the Committee of Three for the purpose of supervising, in the field, the execution of the agreements for the cessation of hostilities and the demobilization and reorganization of the Armed Forces in China.

The American personnel involved in Executive Headquarters will be withdrawn as soon as possible." End announcement.

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893.00/1-2947 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, January 29, 1947—10 a. m.  
[Received January 28—10:49 p. m.]

155. Embassy will make following announcement to the press at 6:00 p. m., 29th (5:00 a. m. Washington time or 1000 GMT, 29th). This announcement must be held secret and not distributed to press before the actual China announcement time since I will not inform the Generalissimo and Communist delegations until shortly before. Announcement begins:<sup>17</sup>

"The United States Government has decided to terminate its connection with the Committee of Three which was established in Chungking for the purpose of terminating hostilities in China and of which General Marshall was Chairman. The United States Government also has decided to terminate its connection with Executive Headquarters which was established in Peiping by the Committee of Three for the purpose of supervising, in the field, the execution of the agreement for the cessation of hostilities and the demobilization and reorganization of the armed forces in China.

The American personnel involved in Executive Headquarters will be withdrawn as soon as possible."

STUART

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<sup>17</sup> The Department released this statement to the press on January 29, 1947.

893.00/1-2947 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, January 29, 1947.

[Received January 29—6:30 a. m.]

160. I called on Generalissimo at 4:30 and informed him of decision to withdraw Executive Headquarters. Wang Ping-nan, representing Communist delegation, was informed at 5:30. Announcement was made by Embassy to press at 6:00 p. m.

STUART

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Marshall Mission Files, Lot 54-D270 : Telegram*Colonel George V. Underwood to Colonel Marshall S. Carter*

NANKING, 30 January 1947.

1997. The Generalissimo asked Doctor Stuart to inform General Marshall that he (the Generalissimo) hoped that the bulk of the Army personnel made available by inactivation of the Executive Headquarters would be transferred to the Army Advisory Group. I advised Doctor Stuart that increasing the strength of the Advisory Group would necessitate a new interdepartment agreement and might also cut across the need for Army personnel in other areas. I mentioned that under present plans nuclear Army reorganization personnel would be transferred to the Army Advisory Group, but cautioned that the plan had not yet received War Department approval. I told him that I would forward the Generalissimo's statement to General Marshall, but that for his (Doctor Stuart's) personal information I felt reasonably sure that personnel of Executive Headquarters, other than key Army reorganization group personnel, would in all probability be assigned to areas outside China.

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711.93/1-3147 : Telegram*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, January 31, 1947—4 p. m.

[Received January 31—7:28 a. m.]

174. On January 30 I received a communication from Wu Tingchang, director of the civil department of the National Government, with which he enclosed a statement to be issued by the Chinese Government in connection with the American decision to terminate its connection with the Committee of Three and with the Executive Headquarters in Peiping. That statement, which has been published in the press of 31 January, is as follows:



"President Chiang Kai-shek received from Dr. John Leighton Stuart yesterday a notification to the effect that the United States Government has decided to terminate its connection with the Committee of Three and with the Executive Headquarters in Peiping. For the past 3 months, our government has made every effort to bring about a cessation of hostilities and a resumption of peace talks in the hope that the Committee of Three and the Executive Headquarters will not be compelled to relinquish the task undertaken by them. Unfortunately, all proposals made by our Government have been rendered fruitless because of the intransigence of the Chinese Communists. It is therefore a cause of unlimited regret to our Govt that it is unable to make a mediation instrument, in which a third party has participated, continue to function. Our Government, however, wishes to express its heartfelt gratitude to General Marshall and the American personnel of the Executive Headquarters for the effort they have made and the hardships they have gone through during the past year."

There has as yet been no press reaction to the American announcement. Such comment as may appear will be sent to the Department when received.

When I advised the Gmo<sup>18</sup> of the American decision, he gave every indication of being pleased with it, mainly I gather, because it affords an opportunity of depriving the Communists of the very useful and extensive Headquarters communications facilities. Wang Ping-nan showed no reaction beyond stating that he would immediately transmit the message to Yen-an. Subsequently, he called on an official of the Embassy to inquire whether this decision would also mean the withdrawal of the observer group in Yen-an. He was informed that, since the group is attached to Headquarters, it would presumably be recalled. He seemed principally concerned that communications be maintained for a period sufficient to take all Communists back to their own territory.

Preliminary reaction among high-ranking Government army officers has been favorable, according to the Military Attaché. They interpret this decision, taken in conjunction with the most recent Govt statement on negotiations, as terminating conversations and as being an indication that the Govt is prepared now to seek a final solution by force of arms.

STUART

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<sup>18</sup> Generalissimo Chiang Kai-shek.

893.00/2-447 : Telegram

*The Ambassador in the Soviet Union (Smith) to the Secretary of State*

Moscow, February 4, 1947.

[Received February 4—4:55 p. m.]

289. *Izvestya's* International Review February 1 comments on Department announcement that US had left Committee of Three in China as rounding off definite stage in US foreign policy. Stating committee was formed on US initiative after Moscow Conference,<sup>19</sup> had agreed on democratization of China, but had followed US support for reactionary circles prior to Marshall's arrival, article continues, US arbitration extremely one-sided, expressing itself in intensified military and economic support for Kuomintang. Committee was used as cover for US intervention in China's internal affairs on side of Kuomintang, which violated all decisions of PCC<sup>20</sup> adopted by all Chinese political organizations. Article claims Kuomintang denounced armistice, refused to create coalition government and introduced constitution in National Assembly legalizing power of a reactionary clique.

It claims US has placed stakes on Kuomintang and ignored changes that have taken place in China. Bankruptcy of American policy in China is said to have been admitted by Marshall before leaving China in statement accusing extremist elements in Communist Party, but admitting also Kuomintang opposition to formation of coalition government and fact that civil war was directed by Kuomintang against Communist army of million Chinese.

Article concludes that events will show whether US will draw correct inference or attempt intervention in new form.

Department repeat Nanking.

SMITH

893.00/2-447 : Telegram

*The Ambassador in the Soviet Union (Smith) to the Secretary of State*

Moscow, February 4, 1947.

[Received February 4—4:21 p. m.]

293. Commenting on US withdrawal from Committee of Three, *Pravda* International Review February 2 states:

"American intervention in Chinese affairs has resulted in Kuomintang military leaders developing military action ever more widely

<sup>19</sup> See *Foreign Relations*, 1945, vol. VII, pp. 560 ff.

<sup>20</sup> Political Consultative Conference. For its resolutions as adopted, see *United States Relations With China*, pp. 610-621.

against democratic forces of people. Blood flows; towns and villages are blazing; hunger and epidemics rage in territory devastated by military.

"Such are results of American mediation in China which had aim of insuring victory of reactionary forces of Kuomintang. By recalling its representative from Committee of Three, US has recognized folly of its policy in China."

Department repeat to Nanking.

SMITH

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711.93/2-647 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, February 6, 1947.

[Received February 6—7:02 a. m.]

214. Following statement released by Embassy press officer at 2 p. m. (0600 GMT) 6th:

"The American Ambassador, Dr. J. Leighton Stuart, has notified the Chinese Government and the Chinese Communist Party delegation in Nanking today that the United States Government would furnish assistance until March 5th to effect the return of authorized Communist personnel to reasonably accessible Communist areas and the return of National Government field team personnel to the stations of their origin.

The Ambassador also has made clear that any of the above personnel who remain after March 5th at their present locations would do so on their own responsibility so far as the United States Government is concerned.

The United States Government's offer of assistance for the return of Communist personnel pertains to those directly assigned to Executive Headquarters plus some 150 Communist personnel in Shanghai, Nanking and Chungking."

STUART

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel George V. Underwood to Lieutenant General Alvan C. Gillem, Jr., at Peiping* <sup>21</sup>

NANKING, 11 February 1947.

2067. This message is sent at the request of Doctor Stuart.

The Generalissimo asked Doctor Stuart to inform you that he earnestly hoped the inactivation of Executive Headquarters would not remove you from the China scene. He expressed admiration for

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<sup>21</sup> Repeated to Colonel Carter in Washington.



you personally and genuine appreciation for your past efforts and assistance.

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Marshall Mission Files, Lot 54-D270 : Telegram

*Lieutenant General Alvan C. Gillem, Jr., to Colonel George V. Underwood, at Nanking*

[PEIPING,] 12 February 1947.

13956. According to present plan all Executive Headquarters Communist Party personnel will have returned to Communist areas on or before 20 February. Yen-an Liaison Group has been of assistance in obtaining clearances for landings at Yen-an, in checking the removal of obstacles from the runway, supervising the operation of the radio beacon, and furnishing weather information and landing instruction to planes in flight. We intend to withdraw Yen-an Liaison Group with equipment to Peiping on last plane returning Executive Headquarters Communist to Yen-an on 20 February.

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel George V. Underwood to Lieutenant General Alvan C. Gillem, Jr., at Peiping*

[NANKING,] 13 February 1947.

2071. 13956 refers. Embassy has no objections to a press release by you on or about 20 February announcing that all Communist Party personnel of Executive Headquarters have been returned to Communist areas. Since the return of Communists from Nanking, Shanghai and Chungking has not even started, any statement by you should clearly indicate that this applies only to Communist personnel assigned to Executive Headquarters.

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel George V. Underwood to Colonel Marshall S. Carter*

NANKING, 18 February 1947.

2088. 2067<sup>22</sup> and 2086<sup>23</sup> refer. General Yu Ta-wei<sup>24</sup> and the Generalissimo in separate conferences yesterday both pressed General Gillem to remain in China.

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<sup>22</sup> Dated February 11, p. 714.

<sup>23</sup> Dated February 18, not printed.

<sup>24</sup> Chinese Minister of Communications.

General Gillem is convinced (rightfully in opinion) that his retention here would be a serious political blunder. He replied in both instances that his future was in the hands of the War Department and emphasized tactfully that because of his past connections with the Committee of Three and Executive Headquarters, his retention in China might inspire propaganda which, at this particular time, could be detrimental to the continued development of Sino-American relationships and might further confuse the real issues.

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel George V. Underwood to Colonel Marshall S. Carter*

[NANKING,] 20 February 1947.

2096. General Gillem has now completed the return to Communist areas of CCP personnel assigned to Executive Headquarters, and the return to stations of origin of National Government personnel assigned to Executive Headquarters. No progress has been made in returning to Communist areas the Communists entrenched in Chungking, Shanghai, and Nanking, for the reason that the Communists have not seen fit to submit their airlift requirements. Actually, we are caught in the middle of a typically Chinese maneuver. The Communists wish to remain in the three cities, if permitted to do so. The Government has informally indicated that permission to stay beyond 5th March will not be granted; however, Wang Ping-nan is demanding that the Government so state formally and in writing. Government has not yet given this formal notification, apparently because it would thereby furnish considerable grist for the Communist propaganda mill. Also, the Government is rumored to be bargaining with the Communists for permission to keep the Government delegation in Yen-an in return for continuation of the Communist delegations in one or more of the three cities.

We have repeatedly explained to the Communists that delay in submitting airlift requirements is to their own disadvantage. We do not intend to lift the 5th March deadline, except for our own convenience.

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Marshall Mission Files, Lot 54-D270 : Telegram

*Lieutenant General Alvan C. Gillem, Jr., to Colonel Marshall S. Carter*

[PEIPING,] 22 February 1947.

136. Return of Communist Party personnel of Exec Hqrs. to their own areas was completed with the arrival at Yen-an of Gen. Yeh <sup>25</sup>

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<sup>25</sup> Yeh Chien-ying, Chinese Communist Commissioner of Executive Headquarters at Peiping.

and the final contingent of his Peiping personnel at 1130 hours 21 February. A statement to this effect signed by Maj. Gen. Hsueh Tse-cheng, former Chief of Staff CP <sup>26</sup> Branch, is on file here, copy will be sent over by mail. Press publicity is being given.

Prior to his departure Yeh made a good-bye call on Gen. Timberman <sup>27</sup> and myself. Most of Yeh's conversation dealt with empty generalities. However certain specific subjects are considered to be of interest.

Without the slightest show of embarrassment over the vitriolic Communist propaganda campaign against Gen. Marshall during the year, Yeh asserted the Comm Party's respect for his ability, integrity and sincerity in the 1946 mediation activities in China. He stated that had Gen. Marshall's plans and efforts been given a fair chance his peace mission would have been accomplished.

Yeh characterized the CCP as a responsible political group. He stated that they have been giving serious consideration to various proposals received from sundry minority political groups. At one extreme is a proposal for the CP to set up a separate govt. At the other extreme is a recommendation that the CP relax its terms for further negotiations with the NG. <sup>28</sup> So far the CP is adhering to the stand taken at the time [*sic*] the forthcoming Moscow conference would deal with China's internal problems. He could not state the basis for his opinion other than the general thesis that China's internal chaos has a direct bearing on world peace and that proper decisions in Moscow would make solution to China's problems comparatively simple.

CP authorities at Yen-an (Chou En-lai) stated CP would welcome a US liaison officer at Yen-an to take over on departure of Exec Hqrs US liaison group. My opinion is that CP desires continued contact through periodic visit of US supply plane.

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Marshall Mission Files, Lot 54-D270 : Telegram

*Captain John L. Soong* <sup>29</sup> to *Colonel George V. Underwood*, at Peiping

[NANKING,] 27 February 1947.

185. Chang Wen-chin <sup>30</sup> called late yesterday afternoon to say that there are a total of 25 Communists to be evacuated to Yen-an from Chungking, Shanghai, and Nanking with 4000 pounds of baggage.

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<sup>26</sup> Communist Party.

<sup>27</sup> Brig. Gen. Thomas S. Timberman, American Director of Operations of Executive Headquarters at Peiping.

<sup>28</sup> National Government.

<sup>29</sup> U. S. Army language officer.

<sup>30</sup> Member of Chinese Communist Party delegation at Nanking.



They will all be concentrated in Nanking and will be ready for shipment any day in March. This morning, Chang called again to say that it is learned the *New China Daily News* in Chungking was suspended from publication by the Government. Communist delegation here has placed a long distance call to Chungking to ascertain the facts. If true, the number of Communists to be evacuated from Chungking will be considerably increased. Chang said that he would attempt to inform this office by tomorrow as to the additional number of Communists to be withdrawn from Chungking. However, I have requested him to submit to this office the name list of the original 25 people by this afternoon to which he agreed. I shall pass the list to Colonel Rector with all the late information as soon as received by this office. Mr. Butterworth<sup>31</sup> is being kept informed.

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel George V. Underwood to Colonel Marshall S. Carter*

NANKING, 1 March 1947.

2117. 2113<sup>32</sup> refers. Last night the garrison commanders in Nanking, Shanghai, and Chungking notified the local Communist delegations that they must close their offices and evacuate National Government territory by 5 March. Today Mister Wang Ping-nan asked the Embassy to extend the 5 March deadline to 15 March. He was informed that an extension of more than several days was unlikely.

This evening I furnished Mister Wang Ping-nan the flight plan for the Communist evacuation of the three cities. This plan will permit completion of the task by 7 March, subject to weather and technical operation difficulties. The National Government has also been informed of this flight plan. The National Government is expected to cooperate in the 2-day extension of our deadline. The Communist Party will probably seek further extension of the deadline but, barring unforeseen developments, we intend to adhere to the new plan.

New but perhaps related subject: report just received from Clubb,<sup>33</sup> Consul General in Mukden, that Major Rigg<sup>34</sup> and Captain Collins,<sup>35</sup> the two AMA's<sup>36</sup> in Mukden, have been captured by the CCP apparently on the outskirts of Mukden [*Changchun*] where a battle is reported to be in progress.

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<sup>31</sup> W. Walton Butterworth, Minister-Counselor of Embassy in China.

<sup>32</sup> February 28, not printed.

<sup>33</sup> O. Edmund Clubb.

<sup>34</sup> Robert R. Rigg.

<sup>35</sup> John W. Collins.

<sup>36</sup> Assistant Military Attachés.

Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel George V. Underwood to Colonel Marshall S. Carter*

[NANKING,] 1 March 1947.

190. Significant events since my message no. 2117, this date, are briefed herein. General Yeh sent an urgent request to General Gillem and the Ambassador through the Yen-an Observer Group on 1st March 1947 in which he requested the Ambassador to extend the 5 March deadline and requested General Gillem to maintain the Yen-an Observer Group until the evacuation is accomplished. He also stated that the Communist Party would protest to the National Government concerning the order to evacuate Nanking, Shanghai, and Chungking by 5 March. The following reply was sent to General Yeh in the evening of 1st March by Mr. Butterworth in his capacity as Chargé d'Affaires in the absence of the Ambassador :

"The Communist Party was notified on 6 February 1947 of the United States offer to provide transportation for the return of its personnel to CCP controlled areas until 5 March 1947. The first request for transportation only involved 25 persons and was received on 26 February. A further request covering the remaining personnel was received on 28 February. A schedule based on these requests has now been arranged which, subject to weather and technical operating difficulties, will permit airlift to Yen-an by 7 March of the approximately 167 Communist personnel listed in General Chou En-lai's memorandum to General Marshall of 18 November 1946,<sup>37</sup> and reaffirmed by the Nanking Communist delegation office in the latter part of December 1946. This schedule has been given to the local Communist delegation.

The Yen-an Observer Group will remain in Yen-an until the last flight to Yen-an is completed."

The following press release was issued by the Embassy late night 1st March :

"On 6 February 1947 the United States made known its offer of assistance for the return of authorized Communist personnel to reasonably accessible CCP areas and the return of National Government field personnel to stations of origin until 5 March. By 21 February all CCP personnel formerly connected with Executive Headquarters had been returned to CCP controlled areas and National Government field personnel associated with Executive Headquarters had been returned to stations of origin. Return of CCP personnel in Nanking, Shanghai, and Chungking was delayed by inability of the National Government and Chinese Communist Party to formalize their desires in the matter. On 26 and 28 February the CCP submitted requests calling for approximately 167 persons to be transported from these 3 cities to CCP areas. An airlift schedule based on these requests has been arranged which will permit accomplishment of this task by 7 March subject to weather and other technical operational restrictions."

<sup>37</sup> *Ante*, p. 551.

Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between Mr. Butterworth and Mr. Tung Pi-wu*<sup>38</sup>  
*at the American Embassy, Nanking, March 3, 1947*

Also present: Mr. Wang Ping Nan  
Colonel Underwood  
Mr. Chang Wen Chin

Mr. Tung Pi Wu expressed appreciation for Mr. Butterworth's assistance in arranging his return to Nanking. He then stated that the original figures covering Communist personnel to be returned to Yen-an from Nanking, Shanghai, and Chungking were incomplete. The National Government was now requiring larger numbers of Communist personnel to evacuate National Government areas. Specifically, there are now 68 adults and 6 children to be evacuated from Shanghai and Nanking. Also there is 3,000 pounds of property to be evacuated over and above the individual baggage allowance. Mr. Tung stated that there are 250 Communists in Chungking and 30 Communists distributed between Kunming and Chengtu who are being forced to evacuate. He hoped that the United States would be able to evacuate this personnel and equipment.

Mr. Butterworth emphasized that the responsibility which the United States had voluntarily assumed in the matter pertained only to that Communist personnel which was present in these areas as a direct result of General Marshall's mediation. It was neither possible nor appropriate for the United States to attempt a mass evacuation of all Communists from National Government areas to Yen-an. The United States was anxious to render appropriate assistance but had no *locus standi* for undertaking total evacuation of Communists. In this connection, Mr. Butterworth referred to General Chou En Lai's memorandum of 18 November<sup>39</sup> which listed 167 Communists who should be evacuated in an emergency.

Mr. Tung Pi Wu stated that the situation was now more complicated than when General Chou's memorandum was written. At that time it was visualized that Communist personnel over and above those listed in the memorandum could be discharged locally. Now, however, the National Government was blocking local discharges. Mr. Tung Pi Wu understood the American position and only wanted to know what help the United States could give.

Mr. Butterworth stated that the United States would accept the increased personnel figures for the Nanking-Shanghai area. This was a C-47 operation and did not present an impossible problem in logistics. However, he regretted that the 3,000 pounds of property

<sup>38</sup> Senior member of Chinese Communist Party delegation at Nanking.

<sup>39</sup> *Ante*, p. 551.



over and above the individual baggage allowance could not be flown to Yen-an. Any American effort to haul large quantities of supplies to Yen-an under the cover of the evacuation of personnel associated with mediation would surely lead to difficulties with the National Government. However, he would informally determine from the National Government if personnel over and above those air-lifted by the United States could be discharged locally, or if this personnel would be safely returned to Communist areas through National Government resources. Mr. Tung replied that the simplest arrangement was for Communist personnel over and above that flown by the United States to be returned to Communist areas by transportation furnished by the National Government. This arrangement would not require local discharges. Mr. Butterworth agreed to discuss the matter with the National Government in this manner.

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893.00/3-547 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, March 5, 1947.

[Received March 5—8:18 a. m.]

452. Following text of Embassy press release March 5 re airlift of Communists to Yen-an:

"The United States initiated today the final phase of its program for assisting in the return of CCP personnel to CCP controlled areas. This program included CCP personnel directly assigned to Executive Headquarters and those Communists in Nanking, Shanghai and Chungking who were associated with the mediation effort.

"Seventy Communists were scheduled for airlift from Chungking to Yen-an today via one C-47 and one C-54. However, only 20 were actually airlifted, as the C-54 was forced to return to Nanking after developing engine trouble. The C-54 is now scheduled to transport 50 Communists from Chungking to Yen-an tomorrow 6 March, and an additional 50 Communists on 8 March. On 7 March, 74 Communists will be flown from the Nanking-Shanghai area to Yen-an. The number transported from Nanking, Shanghai and Chungking exceeds by 46 the number submitted to General Marshall by General Chou En-lai as representing those Communists associated with the mediation effort for whom airlift would be required in an emergency. This increase was accepted by the United States in order to accommodate possible borderline cases.

"It is understood that garrison commanders in the three cities are requiring the evacuation of CCP personnel beyond those airlifted by the United States. Personnel covered by the garrison commanders' orders presumably included those engaged in such activities as newspaper publishing, party work, and operation of bookstores. The National Government has informed the American Embassy that it will

supply necessary transportation to effect the return of this additional personnel to Communist controlled areas".<sup>40</sup>

STUART

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711.93/3-947 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, March 9, 1947—9 p. m.  
[Received March 10—7:40 a. m.]

501. This telegram summarizes American participation in evacuation of Communists from National Govt areas. On February 6, Embassy formally notified National Govt and Communist delegation in Nanking of American offer to assist in returning authorized Communist personnel to reasonably accessible CCP areas and National Govt field personnel to stations of origin until March 5. This offer was in recognition of our moral responsibility for personnel associated with American mediation effort.

By February 21 all Communist personnel formerly connected with Executive Headquarters had been returned to CCP areas, and National Govt field personnel associated with Executive Headquarters had been returned to stations of origin. The problem was then reduced to evacuating 167 authorized Communist personnel from Nanking, Shanghai and Chungking. This number was based upon an official memorandum from General Chou En-lai to General Marshall<sup>41</sup> listing the Communist personnel in these three cities who were associated with the mediation effort and for whom airlift to Yen-an would be required in case of emergency. Evacuation of this personnel was delayed by inability of National Govt and CCP to formalize their desires in the matter. First request for evacuation from these three cities was received on February 26 and involved only 25 persons. Actually Communists were seeking for obvious reasons to remain in the three cities as long as possible. The Govt wished them to evacuate for equally obvious reasons but hesitated formally to require their evacuation because of propaganda attacks which would result. However, on February 28, National Govt, seeing no other course open, formally notified the Communist delegations in Nanking, Shanghai and Chungking that they must close their offices and evacuate National Govt [areas by ?] March 5.

Immediately the Communists requested American airlift for the 167 persons contained in General Chou En-lai's memorandum to General Marshall. An airlift schedule was arranged which permitted

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<sup>40</sup> Colonel Underwood, in telegram No. 2126, March 5, informed Colonel Carter in Washington: "Purpose of release is to weaken any possible future propaganda attacks from Yen-an and to forestall mistreatment of Communists being returned as a National Government responsibility."

<sup>41</sup> November 18, 1946, p. 551.

evacuation of this personnel to Yen-an during period March 4 to 7 inclusive. This schedule required a 2-day extension of the original deadline for American assistance. The National Govt agreed to support the American plan and guaranteed that rigid surveillance at that time imposed on Communist delegations would not be enforced to the extent of interfering with implementation of our schedule.

It then developed that garrison commanders in Nanking, Shanghai and Chungking were requiring the evacuation of additional persons [who] were engaged primarily in party activities and their presence apparently was not desired by garrison commanders for security reasons. The Communists requested that US furnish airlift for these additional persons; this request was approved in part only since it was considered inappropriate for US to undertake indiscriminate mass evacuation of Communists. Embassy did agree, however, to an increase of 46 in the number of persons to be evacuated in order to accommodate all possible borderline cases. Arrangements were then made whereby National Govt agreed to furnish air transportation to Yen-an of the 162 additional persons whom the garrison commanders were requiring to evacuate.

During this entire period, Embassy was engaged in active and prolonged negotiations with Generalissimo's office, the Communist delegation in Nanking, and by telegraph with Yen-an. Among other things these negotiations resulted in the release of Tung Pi-wu from house arrest in Shanghai in time to permit his return to Nanking to coordinate details for Communist evacuation and an alleviation of conditions under which Communist personnel in Shanghai were held.

Because of weather and technical operating difficulties, evacuation of Communists by American aircraft was not completed until March 8. All persons for whom US had assumed responsibility reached Yen-an without incident. The National Govt was scheduled to complete by March 9, weather permitting, the airlift of 162 individuals for whom it had assumed responsibility.

The Yen-an liaison group, a subordinate agency of Executive Headquarters, was withdrawn on March 8 except Colonel Sells,<sup>42</sup> who is remaining there for several days in an attempt to expedite arrangements for the release of two assistants<sup>43</sup> captured by Communist forces near Changchun on February 28. Embassy did not wish to remove its last direct connection with the Communist Party at a time when the situation of these two officers was uncertain. Nevertheless Colonel Sells will be withdrawn at such time as it appears that Communist Party is withholding release of these officers in order to retain for other purposes an American Liaison Agency in Yen-an.<sup>44</sup>

STUART

<sup>42</sup> John K. Sells, commanding three-man group at Yen-an.

<sup>43</sup> Assistant Military Attachés Rigg and Collins.

<sup>44</sup> Colonel Sells and his mission withdrew from Yen-an on March 11, 1947.



## U. S. AID TO CHINA

### I. EXTENSION OF LEND-LEASE AUTHORITY FOR MILITARY ASSISTANCE; CONSIDERATION OF CHINA AID BILL; SUSPENSION OF ARMS SHIPMENTS

893.24/1-1746

*The Acting Secretary of War (Royall) and the Secretary of the Navy (Forrestal) to President Truman*<sup>1</sup>

WASHINGTON, 14 January 1946.

DEAR MR. PRESIDENT: Under date of 9 December 1945,<sup>2</sup> the Secretary of State requested the War Department to issue directives to General Wedemeyer<sup>3</sup> to assist the Chinese National Government in transporting Chinese troops to Manchurian ports, including the logistical support of such troops, and to effectuate the stepped-up arrangements for the evacuation of Japanese troops from the Chinese Theater.

Pursuant to this request the War Department has given instructions that specific items requested by General Wedemeyer be delivered to him at Shanghai without delay. Other similar requests on the War and Navy Departments from the theater commander may be expected during the next five or six months.

The War Department has informed the Secretary of State of these facts and has requested his desires as to whether the actual transfer of these items to the Chinese should be effected under military lend-lease procedure or by surplus disposal or intergovernmental agreement arranged by the Department of State.

The only method by which the War and Navy Departments are currently authorized to effect transfer of items to the Chinese is by military lend-lease under the Presidential memorandum to the Joint Chiefs of Staff, dated 5 September 1945.<sup>4</sup> If serious delays due to administrative considerations are to be avoided, procedure under lend-lease remains the only practical and expeditious manner in which we can carry out the Presidential directive with respect to

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<sup>1</sup> Copy transmitted to the Secretary of State by William D. Hassett, secretary to President Truman, with his memorandum of January 17, not printed.

<sup>2</sup> *Foreign Relations*, 1945, vol. VII, p. 760.

<sup>3</sup> Lt. Gen. Albert C. Wedemeyer, Commanding General, U.S. Forces, China Theater.

<sup>4</sup> See circular telegram of September 13, 1945, 5 p. m., *Foreign Relations*, 1945, vol. VII, p. 558.

China pending completion of ultimate arrangements by the Secretary of State.

The Presidential memorandum of 5 September 1945 to the Joint Chiefs of Staff is deemed inadequate to provide General Wedemeyer's requirements for arms and ammunition and for deliveries of all types of materials and services beyond 2 March 1946. The currently stated requirements can not be satisfied by 2 March 1946.

It is, therefore, recommended that you delegate to the Secretaries of War and Navy additional authority to make lend-lease transfers of all necessary types of items and services in support of General Wedemeyer's mission with a terminal date stated as 30 June 1946 to accord with the provisions of the Lend-Lease Act.<sup>5</sup> A suggested draft of such an authorization to the Secretaries of War and Navy is attached, and for ready reference, a copy of your previous memorandum to the Joint Chiefs of Staff.

Respectfully yours,

KENNETH C. ROYALL

JAMES FORRESTAL

[Enclosure]

*Draft of Memorandum From President Truman to the Secretaries of War and Navy*

WASHINGTON, 14 January 1946.

You may interpret my memorandum of 5 September 1945 to the Joint Chiefs of Staff as authorizing you to furnish to China in implementation of U. S. policy, and as Lend-Lease aid, such services and such quantities of arms, ammunition and other War and Navy Department procured materials as may be required by programs indorsed by General Marshall.<sup>6</sup> Your action under this authority will be limited to services which can be performed, and to materials which can be delivered to the custody of appropriate Chinese authorities by 30 June 1946.

A copy of this memorandum is being furnished the Joint Chiefs of Staff.

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893.24/1-1746

*Memorandum by the Acting Secretary of State to President Truman*

WASHINGTON, January 19, 1946.

There is returned herewith joint letter to you from the Secretaries of War and Navy, dated January 14, 1946, together with draft memo-

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<sup>5</sup> Approved March 11, 1941; 55 Stat. 31.

<sup>6</sup> General of the Army George C. Marshall, Special Representative of President Truman in China.

randum to the Secretaries of War and Navy which was attached thereto and which recommended extension of the authority of the War and Navy Departments to furnish lend-lease aid to China to include transfers of arms and ammunition and transfers during the period between March 2, 1946, and June 30, 1946.

I have revised the proposed directive to the Secretaries of War and Navy, in accordance with our conversation, and attach a suggested draft of directive which I recommend that you sign and despatch.

My suggested revision grants the additional authority requested by the Secretaries of War and Navy but contains two major changes in their suggested draft. In my revision it is provided that the programs, in implementation of which lend-lease transfers may be made, shall be those falling within established policy as interpreted by the Department of State rather than those endorsed by General Marshall as was suggested by the Secretaries of War and Navy. I have also added to the War and Navy draft a request that the War and Navy Departments promptly furnish to the Department of State information on which to base a policy decision with respect to the terms which shall govern additional transfers under the Lend-Lease Act to China.

While General Marshall's endorsement of lend-lease programs should be secured, I believe it inappropriate to measure lend-lease transfers to China solely on this basis. Such a provision not only might be interpreted to cast upon him an excessive responsibility to review in some detail programs of lend-lease assistance but it also charges him with what is properly a function of the Government to be exercised in the light of his recommendations.

The administrative necessity of continuing military lend-lease transfers to China after March 2, 1946, is recognized. It is apparent, however, that these transfers may be very substantial. Information now at hand indicates that transfers since V-J Day<sup>7</sup> are already in the neighborhood of \$500 million. In the light of your public announcement with respect to the termination of lend-lease, it seems essential that the War and Navy Departments should promptly provide the necessary information to evaluate the Chinese lend-lease picture and to permit the Department of State, with your approval and consistent with the progress of General Marshall's mission, to institute negotiations to determine the terms under which such assistance is to be provided.

My suggested revision also recognizes the possibility that there may be certain assistance required after June 30, 1946. Such assistance can be provided only until June 30, 1949 and then only under

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<sup>7</sup> September 2, 1945, official date Japanese surrender.



arrangements completed prior to June 30, 1946 (Section 3 (c) of the Lend-Lease Act). In the revised draft any such extension of assistance requires the approval of the Secretary of State.

DEAN ACHESON

[Annex]

*Revised Draft of Memorandum From President Truman to the  
Secretaries of War and Navy*<sup>s</sup>

WASHINGTON, January 19, 1946.

I have considered your joint letter of January 14, 1946, in which you advise that under my memorandum of September 5, 1945, to the Joint Chiefs of Staff, you are unable to carry out existing directives with respect to this Government's policy regarding military assistance to China.

It is essential, particularly in the light of General Marshall's special mission, that there be no serious interruption in carrying out our policy with respect to China. You, therefore, are authorized, until further advised, to continue to furnish to China, under the Lend-Lease Act, such services and such quantities of arms, ammunition, and other War and Navy Department procured materials as may be required to implement general plans approved by the Department of State within established United States policy as interpreted by that Department. Your action under this authority will be limited to services which can be performed and to materials which can be delivered to the custody of appropriate Chinese authorities by June 30, 1946, except as the Secretary of State may subsequently find it necessary to modify this restriction.

In order that prompt determination may be made as to the period during which this additional authority should continue and the terms and conditions, which shall govern the extension of this aid, I desire that you furnish to the Secretary of State as promptly as possible, and not later than thirty days hence, the following information with respect to all programs of assistance to the Chinese which may be undertaken or continued by your Departments under existing established policy: (a) the known or estimated value of assistance which will have been provided to the Chinese during the period between V-J Day and March 2, 1946, (b) the known or estimated value of assistance which will have been provided to the Chinese during the period between March 2, 1946 and June 30, 1946, and (c) the known

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<sup>s</sup> Approved by President Truman on January 19 without change. Transmitted with exception of first paragraph by the Acting Secretary of State to the Embassy in China in telegram No. 136, January 22, 8 p. m.; transmitted in full by the War Department to the Commanding General, U. S. Forces, China Theater, in telegram No. 94506, January 24.

or estimated value of any assistance which might be required to be furnished after June 30, 1946 and the length of time during which it is estimated that such assistance would be required.

The information to be provided to the Secretary of State should specify your plans, with estimated cost, for the movement and logistical support of Chinese armies for the occupation of Manchuria; assistance to the Chinese which might be required in the occupation of north China; the disarmament and repatriation of Japanese forces, and any similar short term programs for Chinese assistance contemplated by your Departments in implementation of presently established policy. You should also include a statement of the status of, authority for and financial arrangements regarding programs of a more long term nature such as the equipping and training of thirty-nine Chinese divisions and military training of Chinese in the United States.

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893.24/2-1846

*The Secretary of War (Patterson) to the Secretary of State*

WASHINGTON, February 18, 1946.

DEAR MR. SECRETARY: This letter provides the information which the President, by letter of 19 January,<sup>9</sup> directed that the Secretary of War should furnish the State Department.

The total dollar value of lend lease aid to the Chinese National Government, which has already been extended since V-J Day, and which it is proposed should additionally be furnished before 31 October 1946 by the U. S. Army, is estimated to be \$839,950,223. Of this, over one-half is for transfers made during the first two months after V-J Day. Of the estimated total, the Chinese have promised, or will promise under present prescribed procedures, cash reimbursement estimated at \$130,023,539 upon presentation of a bill for maintenance items transferred after V-J Day; of this, it is estimated that \$66,658,917 is for ammunition. Further, China Theater estimates that \$5,500,000 of the total represents transfers physically made before 2 September 1945 but which paper shows as being transferred during November and December 1945.

This can be broken down to periods as indicated below:

V-J Day (2 Sept 45) to 2 March 46	\$689,520,854
3 March 46 to 30 June 46	123,687,742
1 July 46 to 31 Oct 46	26,741,627

The chart at Annex "A" shows a breakdown of these figures by period, as between supplies and services, and as applied to the various programs of lend lease aid.

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<sup>9</sup> *Supra.*

Information regarding the Chinese Army Program (39 Division Program) is attached at Annex "B", and information regarding the training of Chinese in the U. S. and the Chinese Air Force Program is attached at Annex "C".

Commanding General, China Theater presently plans to complete movement of seven Chinese armies to Manchuria by 1 September 1946, and to complete the disarmament and repatriation of 2,061,528 Japs (disarmed troops and civilians) from China (including Formosa and North French Indo-China but excluding Manchuria) by midyear 1946. He hopes to complete the disarmament and repatriation of 1,603,000 Japs (disarmed troops and civilians) from Manchuria by October 1946.

General Wedemeyer will not move additional Chinese troops to North China without specific instructions from the Joint Chiefs of Staff. However, he has been directed to prepare plans for the reoccupation of North China by Chinese troops if this should be necessary and the figures shown against this program in Annex "A" for the periods 3 March to 30 June and 1 July to 31 October are estimated on the possibility that this operation will prove necessary. In such a case, the occupying troops will be diverted from Manchurian occupation missions, and no additional transportation expenses are expected; it would involve, however, the provision of additional supplies for the troops presently occupying North China, who are not now receiving logistical support.

In order to continue assistance to the Chinese and to meet Presidential commitments, transfers must be made after 30 June 1946 under the following programs:

- a. Logistical assistance to the Chinese occupying Manchuria and possibly North China.
- b. Training of Chinese in the United States.
- c. Completion of the 39 Division Program and the Chinese Air Force Program, in accordance with terms to be arranged.

If it is the desire of the State Department to continue assistance to the Chinese subsequent to 30 June 1946, the expiration date of the Lend Lease Act, some sort of agreement must be made with the Chinese Government.

As regards the data set forth above and in the attached Annexes, you should realize that most of it has been prepared from estimates based on plans not yet firm. There will be changes as plans are revised, and as other developments permit closer estimates. You will be furnished these from time to time as they become available.

Sincerely yours,

ROBERT P. PATTERSON



[Enclosure 1]

## ANNEX A

## [LEND-LEASE AID TO CHINA]

1. The estimated figures shown on the attached chart were based on the following assumptions:

a. That initial issue and maintenance supplies already issued, and due in on requisitions from IBT,<sup>10</sup> AFWesPac<sup>11</sup> and the United States, will support Chinese Armies in Manchuria through 30 June 1946 and that after 1 July 1946 minimum logistical support will be maintained until 31 October 1946.

b. That the movement of Chinese Armies to Manchuria will be completed about 1 September 1946.

c. That the entire cost of operations of liberty ships, under control of ComGenChina<sup>12</sup> and employed in the movement and support of Chinese Armies in Manchuria, will be borne by the Chinese Government, and that any fixed charges or rental fees and depreciation of ships will be a matter of future settlement between United States and Chinese Governments.

d. That all POL<sup>13</sup> on Lend-Lease will terminate on 1 March 1946, at which time commercial concerns will take over such supply and distribution in China.

No charges have been included for the use of shipping under SCAJap<sup>14</sup> which is being used in the repatriation of Japanese; but charges are included for Marine and Navy supplies and services, including those for Chinese troop movements and the disarmament and repatriation of Japanese since V-J Day.

2. China Theater records for the period 2 September to 31 October 1946 [1945] do not indicate the specific purpose for which items were transferred to the Chinese, and the figure for this period is therefore carried under the heading "Miscellaneous". These records are now being recomputed in the War Department and a more accurate figure will be forwarded to you when it is available.

3. For your information, a flat charge of \$2,000 per ton is made for transportation services *intra* China, and \$1,500 per ton was charged for transportation over the hump. This is reflected in the "Service Charges" in the chart to this Annex.

4. The Chinese Training Program in the U. S. under Lend-Lease aid is limited to the training of Chinese Air Cadets. Estimated completion date of the last class, if present training schedules and shipping rates are maintained, is about 1 January 1948.

<sup>10</sup> India-Burma Theater.

<sup>11</sup> Army Forces, Western Pacific.

<sup>12</sup> Commanding General, U. S. Forces, China Theater.

<sup>13</sup> Petroleum supplies.

<sup>14</sup> Shipping Control Authority, Japan.

[Subenclosure]  
LEND LEASE AID TO CHINA

	2 Sep-2 Mar 46		3 Mar-30 Jun 46	1 Jul-31 Oct 46	Total
	2 Sep-31 Oct	1 Nov-2 Mar			
Movement & Logistical Support of Chinese Armies in Manchuria					
Services		12, 083, 782. 00	4, 578, 513. 00	1, 263, 730. 00	17, 926, 025. 00
Supplies		67, 472, 274. 00	67, 900, 469. 00	13, 068, 420. 00	148, 441, 163. 00
Sub Total		79, 556, 056. 00	72, 478, 982. 00	14, 332, 150. 00	166, 367, 188. 00
Assistance to Chinese possibly Required in Reoccupation of North China		None	None	None	None
Services		581, 546. 00	3, 865, 300. 00	4, 831, 600. 00	9, 278, 446. 00
Supplies		581, 546. 00	3, 865, 300. 00	4, 831, 600. 00	9, 278, 446. 00
Sub Total					
Disarmament & Repatriation of Japanese		3, 729, 204. 00	93, 646. 00	2, 550. 00	3, 825, 400. 00
Services		None	None	None	
Supplies		3, 729, 204. 00	93, 646. 00	2, 550. 00	3, 825, 400. 00
Sub Total					
Miscellaneous: Transfers in IBT; Transfer of Aircraft	433, 880, 999. 94	157, 058, 902. 00	44, 257, 838. 00	None	635, 197, 739. 94
Training of Chinese in U. S.	14, 714, 147. 00		2, 991, 976. 00	7, 575, 327. 00 (To estimated completion date 1 Jan 1948)	25, 281, 450. 00
TOTAL	689, 520, 854. 94		123, 687, 742. 00	26, 741, 627. 00	839, 950, 223. 94

[Enclosure 2]

## ANNEX B

## CHINESE ARMY PROGRAM (CAP)

1. By 2 September 1945, the 39 Division Program (CAP) was about 43% complete by tonnage in hands of troops, while a much larger percentage was already in stock piles in India-Burma Theater and China Theater. On and after that date, the transfer of supplies to the Chinese under Lend-Lease became permissible only as the Commanding General, China Theater decided that the supplies were required by the Chinese in their mission of reoccupying the liberated areas of China, but with the end of the war the changed tactical situation made possible a much more rapid distribution of the supplies which were required.

2. In order to provide necessary equipment for the Chinese armies which were moved to North China and Manchuria after V-J Day, General Wedemeyer utilized the CAP stockpiles available to the theater, on the basis that all the CAP equipment remaining in India-Burma and China Theaters was required by the Chinese in the reoccupation mission.

3. At the present time, the Chinese Army Program is not a fixed program, but is being used by General Wedemeyer as a guide for issue.

4. It was originally estimated that the cost to implement the 39 Division Program would be about \$90,000,000, which included delivery of the supplies to India. At the present time, the total cost to complete the 39 Division Program would be \$6,605,513. This is broken down by services in the chart below, which shows the actual status of completion with respect to the dollar value of the Chinese Army Program; the chart does not mean that 39 Divisions are completely equipped in some services, but that this comparative percentage has been transferred to Chinese troops.

	<i>Percentage of Completion by Tonnage</i>	<i>Dollar Value to Complete</i>
Medical	112	None
Ordnance	160	None
Quartermaster	40	3, 957, 144
Signal	142	0
CWS	64	2, 102, 210
Engineer	61	546, 159

5. Commanding General, China Theater has been directed to record, for credit against any Chinese Army Program which may be approved in the future, the supplies now being transferred to the Chinese Armies for the mission of reoccupying the liberated areas of



China. In this connection, it is pointed out that much of the supplies and equipment, which have already been transferred to the Chinese are being dissipated or expended in present operations.

[Enclosure 3]

### ANNEX C

#### MILITARY TRAINING OF CHINESE IN THE U. S.

1. The training of Chinese in the U. S. was initiated as part of the program of assistance to China to modernize the Chinese Army, thereby making it more effective in the war against Japan. Initially the training in the U. S. was limited to individual technical training; the bulk of training being in Air Force specialties (pilots, technicians), crew training and training in lesser specialties was conducted by U. S. Forces in China and India. All cost incident to this training was charged under the provisions of Lend-Lease Act. All requests for training in the U. S. of Chinese were screened against operational requirements by the U. S. Theater Commander, and based upon his recommendations these programs were considered by the War Department. Under this program a Chinese Air Force of approximately 7½ groups was brought into being.

2. In January 1945 a survey of the training being conducted for the Chinese in China and India and the capability for conducting such training in the U. S. resulted in the transfer of training for Chinese Air Force from the theaters to the U. S. This change was based upon the more efficient training facilities that existed in the U. S. making undesirable the duplication of training installations in the theaters. After the termination of training in the theaters the objective for the revised schedule of Chinese training in the U. S. was the modernization and maintenance of the 7½ group program which had been partially implemented by that time. All Chinese requests were screened against this basic 7½ group program.

3. As of V-J Day there were approximately 2300 Chinese in various stages of training in the U. S. and approximately 1280 students in China who had been selected and earmarked to receive training in the U. S. At the cessation of hostilities the War Department put into effect an interim policy of the J. C. S. on U. S. training programs for Foreign Nationals. This policy provided that the training of nationals in the U. S. for war against Japan be discontinued as soon as practicable after the defeat of Japan. Those trainees undergoing training or having embarked for the U. S. were to be permitted to complete their training if the nation concerned so desired. In no case however were additional trainees to be shipped to the U. S. The

effect of this policy was to continue training of the Chinese in the U. S. but to cancel any further shipment of students against previously approved schedules.

4. As result of the Presidential policy of 5 September on Lend-Lease, the Chinese were notified that training in the U. S. under Lend-Lease would cease on 30 November 1945 and subsequent to that date it would be on a cash reimbursable basis. This date for termination under Lend-Lease was selected after a review of the status of students in training, and after consideration of the time lapse for returning these students to China.

5. On 14 November the Generalissimo,<sup>15</sup> in a communication to the President,<sup>16</sup> pointed out that no facilities existed in China for training Chinese Air Force personnel. Chinese schools for this purpose were planned to commence 1 May 1946 but output from these schools would not begin until 1 May 1947. The termination of training in the U. S. before 1 May '47 would seriously affect the Chinese Air Force; therefore, it was urgently requested, until postwar arrangements and methods of settlement between China and the U. S. are made, that the completion of training program in the U. S. and the required transportation be authorized. The Generalissimo stated that the Chinese Government would expect to bear the expense of this program under arrangements to be concluded. The President's reply to this message (State Department Cable 1873, 19 November 1945)<sup>17</sup> informed the Generalissimo that inquiry of his Chiefs of Staff revealed that arrangements have already been made to conduct the training of the Chinese Air Force personnel substantially as outlined in the Generalissimo's message. This reply by the President was interpreted by the War Department to be a directive to continue Chinese Air Force Training Program in the U. S. and China Theater was so notified.

6. Under the above approval for continuation of Chinese Air Force training in the U. S., students presently in training are being continued to completion and first increment of approximately 300 students has departed from China; further shipments of students from China are scheduled to be made at two month intervals in increments approximating 300 each, until the last of the 1280 students to complete the program has been shipped.

7. With respect to equipment for the CAF, the Joint Chiefs of Staff has but recently approved an eight and one-third group CAF Program; this program envisages eight and one-third tactical groups with the necessary service, depot and other supporting units. At

<sup>15</sup> President Chiang Kai-shek.

<sup>16</sup> See telegram No. 1973, November 14, 1945, 8 a. m., from the Chargé in China, *Foreign Relations*, 1945, vol. VII, p. 629.

<sup>17</sup> *Ibid.*, p. 638.

this time it is not possible to indicate the cost to the U. S. Government to provide the equipment for such a program; but when inventories of equipment now in the hands of the Chinese in China can be made, based on this new program, the cost of completion can be computed.

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893.24/3-1846

*Memorandum by the Chief of the China Division (Bennett) to the Director of the Special Areas Branch (McCormick)* <sup>18</sup>

WASHINGTON, March 18, 1946.

The Chinese Supply Commission continue to raise questions (orally) as to the terms of the "Pipeline Agreement" and the reason for delaying the formalizing of the commitment between Dr. Soong and Mr. Crowley.<sup>19</sup> In particular, the Chinese, having heard that ocean transportation may not be included in the long term credit arrangement after June 30, 1946, are now concerned lest a cut-off date be set for financing under 3 (c) terms.

Up to February 28, 1946, \$23,000,000 of the pipeline has been shipped (including accessorial charges at 15% and ocean freight). In the French and Russian 3 (c) Agreements<sup>20</sup> are details as to accessorial charges, costs of goods, date for accruing interest, date for first payment of interest and principal, etc. Already in their status reports on shipments, the Chinese Supply Commission are using 10% as the estimated accessorial charge.

From conversations with various members of the Commission, it is clear they are familiar with the French, Russian and British agreements and are prepared to argue for some of the special terms in those agreements, such as 10% off invoice cost in the Russian and deferred interest and/or principal payment dates in the Russian and British.

At the present rate of shipment possibly 75% of the goods will be shipped by June 30, 1946 and I cannot but feel that losing control of the goods before the terms are settled is likely to place the U. S. in a very poor position for negotiating later.

The Chinese want these goods keenly enough to come to an agreement, but once they have possession of the goods they will undoubtedly insist on "most favored nation" terms, citing Dr. Soong's letter of August 24, 1945 to Mr. Crowley and the latter's reply.

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<sup>18</sup> Both of the Office of the Foreign Liquidation Commissioner (OFLC), Thomas B. McCabe.

<sup>19</sup> For exchange of letters between the President of the Chinese Executive Yuan (Soong) and the Foreign Economic Administrator (Crowley) on August 24 and September 18, 1945, see *Foreign Relations*, 1945, vol. VII, pp. 1133 and 1155, respectively.

<sup>20</sup> Former signed February 28, 1945, Department of State, Executive Agreement Series (E.A.S.) No. 455, or 59 Stat. (pt. 2) 1304; and latter signed October 15, 1945.



893.24/4-946

*The Secretary of War (Patterson) to the Secretary of State*

WASHINGTON, April 9, 1946.

DEAR MR. SECRETARY: At the present time, our program of military assistance to China is incompletely implemented, nor will implementation be complete by 30 June 1946, when present authority to transfer equipment and continue training under the Lend Lease Act will expire. Thereafter equipment can be transferred to the Chinese Government, and training provided, only through such agreements as may be executed at a governmental level prior to 30 June 1946, under the Lend Lease Act; or, for the matter of property transfer, through the machinery of the Surplus Property Act of 1944.<sup>21</sup> Both of these alternatives appear to be inadequate. As you know, our present programs of military assistance are playing an important part in bringing about internal peace in China, in the repatriation of Japanese nationals from Chinese territories, and in the reorganization of Chinese Forces. Furthermore, no convenient legal method of sale or transfer of Government property will be available for any long term peace time army program in continued implementation of our China policy.

In a letter to you of 18 February 1946, in which our Lend Lease Program to China was outlined, it was pointed out that if the State Department desired to continue assistance to the Chinese Government subsequent to 30 June 1946 some sort of an agreement would have to be made with the Chinese Government. It appears that this problem could more satisfactorily be solved by the passage of legislation which would permit the transfer of equipment, and provision of services, without resort to any war time authority or measures now in effect.

If it is the desire of the State Department that the War Department should continue the implementation of its programs of military assistance to the Chinese Government, I strongly urge you to initiate the necessary legislation to render the implementation of these programs legal, irrespective of any war time measures or authorities.

Sincerely yours,

ROBERT P. PATTERSON

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<sup>21</sup> Approved October 3, 1944; 58 Stat. 765.

893.24/4-2446

*Memorandum by the Assistant Secretary of State for Economic Affairs (Clayton) to the Under Secretary of State (Acheson)*<sup>22</sup>

[WASHINGTON,] April 24, 1946.

The Chinese Government has been advised that we should like to begin negotiations at once in Washington on the settlement of the war account between our two Governments.

Inasmuch as several matters with regard to the lend-lease portion of the war settlement are unique in character and may have significant political repercussions, I should like to bring them to your attention.

If you approve the recommendations I have stated below, I shall issue appropriate instructions to the U. S. representatives in the settlement negotiations.

1. *Military Lend-Lease Assistance in the Period V-J Day to June 30, 1946.*

The extension of military aid to lend-lease countries for six months after V-J Day was authorized by the President in his memorandum of September 5, 1945, and a further extension of aid to China alone was authorized by the President in his memorandum of January 19, 1946. The latter memorandum authorizes transfers under the Lend-Lease Act through June 30, 1946 but not after "except as the Secretary of State may subsequently find it necessary to modify this restriction."

Military lend-lease assistance will have been provided to the Chinese to the extent of some \$800 million in the period V-J Day to June 30, 1946. This compares with military assistance of some \$700 million in the war period to V-J Day.

The \$800 million of aid will have been transferred to assist the Chinese in the reoccupation of occupied areas of China and the repatriation of Japanese soldiers. A substantial portion of this assistance represents transportation services, but arms, vehicles, other equipment, clothing and the like comprise the greater part.

The President has stated publicly that this country will assist China in the reoccupation and repatriation program, and Congress has been informed that military lend-lease aid to China is continuing. Consequently, although the volume of assistance is most substantial, I recommend that it be regarded as straight lend-lease aid for which no tangible payment should be required.

2. *Maintenance Items.*

Related to the question of aid in the period V-J Day to June 30, 1946 is the problem of maintenance items.

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<sup>22</sup> Approved by Mr. Acheson on May 2.

The President's directive of September 5, 1945 stated that the transfer of maintenance items for lend-lease equipment in the possession of our allies should be made "against payment on such terms and conditions as determined by the State Department and the Foreign Economic Administration." These agencies required the War Department to transfer maintenance items against receipts to pay cash upon presentation of a bill by the U. S.

Consequently, the War Department has required and received from the Chinese receipts to pay cash on demand for all maintenance items transferred. Of the \$800 million of transfers in this period, some \$67 million of ammunition (which the War Department considers a maintenance item) and some \$63 million of spare parts will have been transferred against payment receipts.

There is no reason either in logic or in the light of our general objectives in providing assistance to China to regard maintenance items differently from new equipment or services. Moreover, the history of the President's instruction with regard to payment for maintenance items indicates that its application to China is entirely inappropriate. It was at the request of the British who were unable to buy spares on the open market for grounded lend-lease equipment that the President permitted the transfer of such items under the Lend-Lease Act. Since the transfer of maintenance items was an accommodation not directly related to the war, the President required payment. Consequently, I recommend that, despite the existence of receipts from the Chinese to pay \$130 million on demand, the bills not be presented and the transfers be regarded as straight lend-lease aid.

### 3. *Chinese Air Program.*

Pursuant to the President's oral commitment to Dr. Soong with respect to the completion of the 39-division program and the equipping of an airforce of commensurate size, the War Department will have transferred to China in the period V-J Day to June 30, 1946 some \$44 million of airplanes and some \$10-20 million of related equipment to complete an eight and one-third air group (which the Joint Chiefs of Staff has determined to be of a size commensurate with China's military establishment). These transfers are being made under the authority of Lend-Lease Act against receipts to pay cash on demand unless other terms are mutually agreed between our two Governments.

Although the eight and one-third air group program may have overtones of a postwar program, the transfers have been in fact related to the reoccupation mission and are part of the \$800 million



of aid in the period from V-J Day to June 30, 1946. Both air and ground equipment are regarded by the War Department as necessary to enable Chinese forces to establish and maintain order in the re-occupied areas of China. Because the transfers against the airforce program have been made in the interest of the reoccupation mission, I recommend that the bills not be presented and the transfers be regarded as straight lend-lease aid.

4. *Aid after June 30, 1946.*

We are informed by the War Department that the reoccupation program cannot be completed by June 30, 1946, the date of expiration of the Lend-Lease Act. There is at present no legal medium for the transfer of supplies and services by the War Department to China other than the Lend-Lease Act. It is, therefore, proposed that transfers after June 30 be made under the authority of section 3 (c) of the Lend-Lease Act, and that an agreement be signed with the Chinese Government in advance of June 30 for this purpose.

The value of the transfers, all of which will come out of existing Army stocks, will not exceed \$25 million, and the date of completion of the program will be September 2, 1946.

The matter to be decided is whether the transfers after the expiration of the Lend-Lease Act should be made on straight lend-lease terms or against cash payment. There is no reason in the nature of the program to differentiate between aid provided up to June 30 and aid provided from that date to September 2. However, it may not be politically advisable to provide straight lend-lease aid after the Act expires. No other country has received straight lend-lease aid since March 2, 1946.

While it is possible to justify straight lend-lease aid to China after June 30, such aid would be subject to considerable political criticism and might be regarded as contravening the intent of Congress. Accordingly, I am of the opinion that payment should be required, particularly since the burden of payment will certainly not be too great for China. Such payment should be made in cash or as an offset against our obligations rather than over time, so as not to incur a long-term postwar debt for purely military deliveries.

If it were possible to put through Congress before June 30 an enabling act for the War Department comparable to that for the Navy Department (which has passed the House and is now before the Senate) it would, of course, be preferable to provide aid to China under such legislation.

893.24/6-446

*Minutes of Meeting Held June 3, 2:30 P. M.*

[WASHINGTON,] June 4, 1946.

Present: Chester T. Lane, Deputy Commissioner, OFLC  
 Hubert Havlik<sup>23</sup>  
 Dr. S. C. Wang, Chairman, Chinese Supply Commission  
 K. K. Tsien, Chinese Supply Commission  
 Mr. Shaughnessy, Chinese Supply Commission  
 C. H. Kendall, Legal [Division, OFLC]  
 Thomas J. McCormick, Acting Chief,  
 China Branch [OFLC]  
 Miss Frances Haidt [OFLC]  
 Charles R. Bennett (Until recently, Chief,  
 China Branch [OFLC])

The meeting was instigated by Mr. Lane to give the Commission a chance to express its views on the proposed pipeline agreement, a draft of which had been in their hands for some days.

Mr. Lane opened the meeting by expressing regret that various unforeseen contingencies arose to prevent formalizing quickly the Crowley-Soong commitment as to civilian lend-lease goods under contract, in storage or at port on V-J Day (September 2, 1945) marked for China. The draft now under consideration was drawn up to formalize the terms and the spirit of the commitment agreed upon by Mr. Crowley and Dr. T. V. Soong in the exchange of letters of last year beginning with Crowley's August 22 memo to Dr. Soong,<sup>24</sup> to which the latter replied August 24.<sup>25</sup> The formal offer of Mr. Crowley's is in his letter of September 18, 1945 to Dr. Soong.<sup>26</sup> The acceptance of that offer, as far as the pipeline is concerned is in Dr. S. C. Wang's letter to Mr. Crowley of September 29, 1945.<sup>27</sup> Mr. Lane expressed the hope that the draft agreement was satisfactory to the Chinese but the meeting was specifically for the purpose of offering them an opportunity to comment.

Dr. Wang stated that he would present some comments and suggest some modifications based not on any claim that the agreement laid down terms not in accord with Crowley's offer and the Chinese acceptance but rather from what he termed "a broader concept", of China's need of the goods and America's desire to assist China to the needed supplies on terms at least as favorable as those accorded

<sup>23</sup> Chief, Division of Lend-Lease and Surplus War Property Affairs, Department of State.

<sup>24</sup> *Foreign Relations*, 1945, vol. VII, p. 1133.

<sup>25</sup> *Ibid.*

<sup>26</sup> *Ibid.*, p. 1155.

<sup>27</sup> *Ibid.*, p. 1160.

other nations for similar goods. While China must consider the needs for and use of the goods from an economic point of view, he felt the terms of payment should embody a spirit of friendly help rather than strict business agreement. He outlined several suggestions for terms more favorable to China.

1. His greatest emphasis was on a request for reducing the sale price below the cost price, citing the Russian Agreement of 90% of cost. He stated that whereas at the time of Crowley's offer the probability of being unable to get motor trucks in any foreseeable period if they did not accept the offer induced them to accept the offer; with the war conditions past and the trucks to be used in a commercial way, they now feel that these trucks forming two-thirds the pipeline may well prove uneconomical at the full cost, being heavy specially built 3½ ton trucks (landed cost about \$4100). Lighter trucks (less expensive to run) would now suit better. He felt, therefore, that giving consideration to these points would justify reducing the price to be paid by China. Mr. Lane asked Mr. Bennett how he felt about the price of the trucks in view of Dr. Wang's remarks. Mr. Bennett called attention to the fact that when Mr. Crowley made his offer August 22 (confirmed formally Sept. 18) to Dr. Soong, it was not required that China accept all or none and when Dr. Wang finally wrote to Mr. Crowley September 29, 1945 stating, "that the Chinese Government desires to accept, without further selection all FEA lend-lease supplies for China in process of procurement, manufacture and delivery in this country", he could have eliminated any items not desired on the terms stated. (As a matter of fact Dr. Soong in his letter of August 24 to Crowley fully accepted the terms only reserving action on the selection).

Mr. Bennett also stated that several informal offers had been made by people returning from India to the effect that if FEA would dispose of the trucks privately, 50% more than landed cost could be got. FEA, however, was not interested except as an indication of the fair disposal price if the Chinese should desire to obtain the trucks in India (forming part of the 15,000 Dodge trucks lend-lease contract). Mr. Bennett further pointed out that up to the time Dr. Wang accepted the offer which was the go-ahead sign for continuing production, very few of the 6,100 trucks were completed and cancellation might well have been welcomed considering the critical supply situation relative to trucks, tires, tubes, spare parts, etc. Mr. Bennett unequivocally stated that all indications were that in spite of the special nature of this truck, it could be sold in the Far East for much more than landed cost. Dr. Wang continued to express doubt as to the economic value of the trucks at 100% of cost, as well as very great surprise at Mr. Bennett's estimate of sale value.



Mr. Havlik enquired of Dr. Wang what had changed his opinion between Sept. 29, 1945 when he elected to take all the trucks at cost and now when he seemed to feel they were less desirable. Dr. Wang stated that at the time he felt it very desirable to retain a going contract with its priorities lest other trucks should not be available for a long time. He now felt that the trucks were too expensive for the service to be rendered in China where standards of performance in such lines were rather primitive. Dr. Wang said he was not disputing the terms of offer and acceptance but rather whether, "broader principles" might not warrant the U. S. Government reducing the cost to China.

Mr. Lane and Mr. Havlik both indicated that they could not see how they could justify to the Congress and the American people less than cost for goods finished after VJ-Day at the specific request of the Chinese Government.

Dr. Wang then raised the question of the amount of the accessorial charge—whether 15% or 10% or actual cost as in the case of the Russian. He felt that 15% was much too high. Mr. Lane expressed willingness to review this charge with government parties concerned and if it appeared that 10% would cover the costs of such charges, reduce it to that figure in the agreement.

Dr. Wang then raised a point relative to incomplete units in the pipeline. He stated that there are some items that are incomplete as a portion had been finished before VJ-day and shipped to India. Whether the portion so shipped is in the Calcutta inventory sold to the Chinese Government is not known and it might be a very long time before the facts could be ascertained. He felt that an allowance in price should be made on this account as the incomplete unit might well be of no use unless and until the missing portion is located or replaced. Mr. Lane suggested that without specific information as to such missing parts it is not possible to consider any relief. Mr. Bennett suggested that, as we know there are no such items in the transportation, Russian cutback, textiles, medical and most of the industrial equipment, the chances of any considerable amount being involved in this category is very small. Mr. Havlik suggested to Dr. Wang that if it does not involve a very substantial amount he better ignore it. (After all if the units are useless because of missing parts, how can a cheaper price make them useful?) It was left that Dr. Wang would supply a list of incomplete units if he felt that they were of sufficient importance.

Dr. Wang requested a more flexible time limit for the Chinese Government to take over goods after notice of availability. This was agreeable to Mr. Lane and Mr. Havlik.

Finally Dr. Wang cited certain lend-lease settlement agreements—especially the French—and requested that China be not required to make a pipeline capital payment for five years and that there be either a reduction in the cost price as first suggested or a deferment of the first interest payment for five years.

Mr. Lane pointed out that the French pipeline agreement did not provide for deferred payment of capital or interest but that this became part of the over-all French war-settlement. He would be willing to put into this agreement a clause providing that by mutual consent of both parties the pipeline agreement might be reviewed and included in the over-all war settlement. He felt bound to say, however, that he did not consider that putting in such a clause bound the U. S. Government or China to agree to such review at some future date.

It was agreed that another meeting would be held June 5 when Mr. Lane expects to have further information as to accessorial costs, a new phrasing of the “availability” clause (Page 2B of the schedule) and consider further Dr. Wang’s request for deferred capital and interest payments.<sup>28</sup>

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893.20 Mission/6-446

*The Acting Secretary of War (Royall) to the Secretary of State*

WASHINGTON, 4 June 1946.

DEAR MR. SECRETARY: At the present time the War Department is confronted with numerous problems in deciding what equipment and supplies should be held by the War Department to meet approved foreign commitments and in determining its responsibility toward implementation and support of these programs. This is especially true of the Chinese programs.

The President has laid down as a principle of American Policy towards China that “As China moves towards peace and unity . . . the U. S. would be prepared to assist the National Government (of China) in every respect as to . . . establishing a military organization capable of discharging China’s national and international responsibilities for the maintenance of peace and order”.<sup>29</sup> In keeping with the President’s policy as enunciated above, SWNCC<sup>30</sup> has stated that

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<sup>28</sup> An agreement between the Governments of the United States and the Republic of China on the disposition of lend-lease supplies in inventory or procurement in the United States, so-called Pipeline Agreement, was signed at Washington on June 14; Department of State Treaties and Other International Acts Series (T.I.A.S.) No. 1533, or 60 Stat. (pt. 2) 1760.

<sup>29</sup> Omissions indicated in the original. For statement of December 15, 1945, see Department of State, *United States Relations With China* (Washington, Government Printing Office, 1949), p. 607.

<sup>30</sup> State-War-Navy Coordinating Committee.

the U. S. should be prepared to support, with U. S. military supplies, the armed forces in China to the extent needed to accomplish the establishment of a modern and effective military organization.

In implementation of the above policy, there are four supply and equipment programs of military assistance to the Chinese now recognized by the War Department:

*Reoccupation Requirements Program:* This is the program now being implemented to support the Chinese reoccupation mission and the repatriation of Japanese from China.

*8 $\frac{1}{3}$  Air Group Program:* This program is designed to modernize the Chinese Air Force; it is expected that supply action will be completed in Mid 1946.

*Training Equipment Program:* This program provides training and equipment to facilitate the reorganization and integration of the Chinese armies, as agreed upon by General Marshall and the National and Communist leaders in China. The only important items thus far included are those for Communist units as requested by General Marshall. Further requirements will arise as Chinese schools and training are initiated as recommended by the U. S. Military Advisory Group.

*Chinese Peace Time Army Program:* Implementation is not planned until Mid 1947, when it is expected the reorganization of the Chinese armies will have been completed, and the Chinese Army reduced to 60 divisions (including 10 Communist).

The scope and timing of the first three Programs outlined above have been coordinated with State Department officials in Washington and with General Marshall in China.

As regards the Peace Time Army Program, the present fluid situation and uncertainty of the future do not permit at this time the approval of a firm program to be implemented in 1947 or later. Nevertheless, if military type items are to be available in U. S. stocks for future support of such a program, it is necessary to take action immediately. A study made by China Theater and accepted by the Chinese Minister of War, indicates that it is desirable that equipment (military items only) for the equivalent of 10 U. S. divisions be retained for support of the Peace Time Chinese Army Program. As indicated above, it would be premature to give China Theater's study formal approval for full implementation. This matter will be further developed at the appropriate time by the U. S. Military Advisory Group to China. However, the present study forms an adequate basis for decision as to retention of Army stocks to support the program.

It is requested that the State Department concur in the policy of continued study, with the appropriate Chinese Officials, of a Peace Time Army Program; and in the retention in U. S. Army stocks, as outlined above, of appropriate items to support this program when finally approved for implementation.

Sincerely yours,

KENNETH ROYALL



893.24/6-746

*Memorandum by the Secretary of War (Patterson) to the  
Secretary of State*<sup>31</sup>

OPD 400.3295

WASHINGTON, 7 June 1946.

1. Reference to letter of 4 June 1946 from Secretary of War to the Secretary of State on military programs for aid to China, it is apparent that two of these programs, namely the Reoccupation Program and the Training and Equipment Program cannot be completed before 30 June, the expiration date of the authority to transfer government-owned equipment to the Chinese under lend lease. These two programs have been essential to the Chinese in their efforts to re-establishing law and order over the Japanese occupied territory of China, in repatriation of Japs, and in preparation for reorganization and integration of the Chinese Army in the pattern envisaged by General Marshall.

2. The Reoccupation Program is now nearing completion, and final requisitions for the supplies required are being submitted to appropriate supply agencies by the Commanding General, U. S. Army Forces, China. The Training and Equipment Program requirements are only partially known at present but furnishing of these known requirements is also nearing completion; final requisitions are being submitted to appropriate supply authorities. It is strongly believed that positive action should be taken to insure the completion of these two programs of assistance; failure to do so would tend to nullify the beneficial effects they have already produced.

3. It is estimated that completion of these two programs will involve the expenditure of approximately \$25,000,000 and will require an extension of assistance until 31 October, 1946. Estimated cost for the completion of the Reoccupation Program was included in the War Department letter to the Secretary of State of 18 February, which outlined the various Lend Lease Programs of Military Assistance to the Chinese Government; the Training and Equipment Program was not included in the War Department letter mentioned above, since the program was initiated after the letter was dispatched.

4. It is recommended that the State Department initiate action to authorize the transfer of government-owned supplies and equipment necessary for the completion of these two programs of assistance after 30 June 1946, and that a letter of authority be provided to the War Department to complete these two programs after 30 June 1946.

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<sup>31</sup> For the attention of the Director of the Office of Far Eastern Affairs (Vincent).

5. This matter has been discussed informally with Mr. Havlik, Chief, Lend Lease and Surplus Property Affairs, and he is acquainted with the details of these programs.

For the Secretary of War:  
R. L. VITTRUP  
Colonel, GSC

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893.20 Mission/6-446

*The Secretary of State to the Secretary of War (Patterson)*

WASHINGTON, June 10, 1946.

MY DEAR MR. SECRETARY: I have your letter of June 4, 1946 in which you request that the State Department concur in the policy of continued study, with the appropriate Chinese Officials, of a Chinese Peace Time Army Program: and in the retention in U. S. Army stocks, as outlined in your letter, of appropriate items to support this Chinese program when finally approved for implementation.

Please be advised that the State Department does concur in the policy outlined and in the retention of U. S. Army stocks, as suggested in your letter.

Sincerely yours,

JAMES F. BYRNES

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811.22793/6-1146

*The Secretary of War (Patterson) to the Secretary of State*<sup>32</sup>

OPD 350.2 (29 May 46)

WASHINGTON, 11 June 1946.

1. In a letter of 20 May,<sup>33</sup> subject "Training for Chinese Medical Students", the War Department submitted a recommendation that 132 selected Chinese officers be provided with a course of training in U. S. Army medical installations. Information has now been received from the Commanding General, U. S. Army Forces, China, presenting a program designed to complete the training of a larger group of Chinese officers required for the nucleus of a reorganized Chinese Army. This program calls for training 325 additional Chinese officers, making an overall total of 457 for whom it is desired to provide training in the U. S. It is considered that this training is an essential requirement to the development of the Chinese Army, and is in accordance with the President's policy toward China. It has the approval of General Marshall's office.

2. Incident to the establishment of such a training program in the U. S., the U. S. Army must provide services such as transportation,

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<sup>32</sup> For attention of the Director of the Office of Far Eastern Affairs (Vincent).

<sup>33</sup> Not found in Department files.

hospitalization, messing and quarters for the individual trainees over a period of some two and one-half years after 30 June 1946. In addition, specialized training in the various branches of the Army (such as infantry, quartermaster, and artillery) must be provided.

3. It is estimated that the overall cost of the training program for the 457 officers will amount to 1,250,000 dollars. It was originally recommended in War Department letter of 20 May, that cost of training for the Chinese medical students be met by the establishment of a system similar to that set up in War Department Circular 134 of 8 May 1946. However, subsequent investigation has indicated that it would be more advisable to have costs of the training programs met by advance cash payment from the Chinese.

4. It is recommended that the State Department initiate action to authorize training as indicated above for a total of not more than 457 selected Chinese officers and that a letter of authority be provided to the War Department to undertake this training after 30 June 1946.

5. Any agreement with the Chinese Government relative to the training indicated above should make clear that trainees will be accepted only to the capacity of the various schools as determined by the War Department, and that the estimated cost of training does not include personal expenses incident to lodging and meals.

For the Secretary of War:

R. L. VITTRUP

Colonel, GSC

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[On June 12, 1946, the Secretary of State transmitted to the President pro tempore of the Senate and the Speaker of the House of Representatives a draft bill to provide military advice and assistance to the Republic of China. For text of accompanying letter, see 79th Congress, 2d Session, House of Representatives Report No. 2361, accompanying H. R. 6795. The report also included a personal statement from General Marshall endorsing the bill and extracts from statements in support of the bill by Robert P. Patterson, Secretary of War, and Dean Acheson, Acting Secretary of State.]

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893.24/6-1246

*Memorandum by the Assistant Secretary of State for Economic Affairs  
(Clayton) to the Under Secretary of State (Acheson)*

[WASHINGTON,] June 12, 1946.

Since your approval of my memorandum dated April 24, 1946 to you on the Chinese Lend-Lease Settlement, copy of which is attached, several further lend-lease problems have arisen regarding China.



If you approve the recommendations I have stated below,<sup>34</sup> I shall issue appropriate instructions.

1. *Support to Chinese Troops Assisting in the Occupation of Japan, after June 30, 1946.*

The Joint Chiefs of Staff, as noted in Mr. Hilldring's memorandum to the Secretary of State, dated May 27, 1946,<sup>35</sup> supported the participation of one Chinese Division (15,000 men) in the occupation of Japan, and further recommended that the Department of State make the necessary arrangements "for aid to China in the transportation of Chinese forces to and from Japan and such assistance as may be required in furnishing equipment, supply and maintenance".

This program is in accord with the occupation policy approved by the State-War and Navy Coordinating Committee and it has the approval of General Marshall and General MacArthur.<sup>36</sup>

The only method under existing legislation by which the U. S. Armed Forces can furnish such services and supplies to the Chinese Forces is lend-lease transfers. If such transfers are to be made after June 30, 1946, an agreement under paragraph 3 (c) of the Lend-Lease Act must be concluded with the Chinese Government before the end of this month.

The dollar value of the supplies and services that may be furnished the Chinese occupation forces from June 30, 1946 to July 1, 1949 (the final expiration date of powers under the Lend-Lease Act) is presently unknown. On the basis of informal estimates, it is not expected that they will amount to more than \$25 million. This figure is subject to a wide margin of error.

Such supplies would be provided from existing U. S. military stocks and would not necessitate the placement of new procurement contracts by the U. S. Government. Such aid will be limited to supplies and services which the Chinese cannot supply themselves.

It is recommended, therefore, that the Department approve the transfer program and that an agreement be negotiated under Section 3 (c) of the Lend-Lease Act to permit the extension of supplies and services to the Chinese forces participating in the occupation of Japan after June 30, 1946.

It is further recommended that the agreement provide for payment by the Government of China. This would be consistent with the arrangements for payment by the Chinese for military aid after June 30, 1946 for the reoccupation program, i. e., on a cash payment basis.

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<sup>34</sup> Approved by Mr. Acheson on June 12.

<sup>35</sup> Not printed.

<sup>36</sup> General of the Army Douglas MacArthur, Supreme Commander, Allied Powers, Japan.

## 2. *Training Programs.*

(a) *Airforce Training Program:* Arrangements are now being made, whereby Chinese Airforce personnel will continue to be trained by the U. S. Army in the United States in accordance with a program previously approved by the President, on the basis of a lend-lease cash reimbursement requisition which will be accompanied by a deposit of \$24 million to cover the estimated cost of the airforce training program. This requisition will serve as a sufficient legal basis for providing these services.

(b) *New Training Programs:* General Marshall has now recommended two other training programs; (i) for Chinese Medical Officers; and (ii) for Chinese Officer training in the Ground Services.

Under the first program, 132 Chinese Officer Medical students would be trained at U. S. Army Medical installations, beginning August 19, 1946 and extending over a period of approximately 12 months, or longer, if the student-groups have to be staggered. The Chinese National Government has offered to meet any expense involved in this training program.

The second program consists of the training by the U. S. Army of 325 Chinese Officer students in the basic branches of the U. S. Army, e. g., infantry, artillery, etc.

Best available estimates of the cost of both training programs is \$1,250,000.

In view of the present disorganized state of Chinese medical units and the problems of reorganization of the Chinese Army, General Marshall's Office strongly desires that such training be made available.

It is recommended that this training program be approved by the Department. It is further recommended that the program be provided on a cash prepayment basis similar to the Airforce Training Program.<sup>37</sup>

## 3. *Military Aid After June 30, 1946.*

On the basis of your approval of the recommendation contained in paragraph 4 of my note of April 24, 1946, attached hereto, an agreement is being drafted under Section 3 (c) of the Lend-Lease Act providing for the transfer of military aid in an amount not exceeding \$25 million by the U. S. Government of military supplies and services to the Chinese Government under the reoccupation program.

We have now been informed by the War Department that owing to unforeseen delays an additional period will be required to complete the program. It is recommended that the period of completion of the reoccupation program be extended to October 31, 1946 without any increase in the total amount of \$25 million.

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<sup>37</sup> For further correspondence on the Chinese Air Force training program, see pp. 767 ff.

4. *Navy Supplies for U. S. Navy Vessels Transferred by Charter before June 30, 1946.*

The U. S. Navy has found that a part of the "on board" supplies and replacement parts intended to be transferred with ships hitherto chartered under lend-lease Navy programs are not in stock and will have to be procured and transferred after June 30, 1946.

The Navy Department has no present appropriation to cover such new procurement after June 30, 1946. The Chinese would therefore have to deposit approximately \$4 million to cover the Navy's cost.

It is recommended that you approve such a transfer on the basis of a cash-in-advance lend-lease requisition from the Chinese before June 30, 1946.<sup>38</sup>

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893.24/6-2646

*Memorandum by the Assistant Secretary of State for Economic Affairs (Clayton) to the Under Secretary of State (Acheson)*

[WASHINGTON,] June 26, 1946.

I have attached hereto a draft agreement<sup>39</sup> under Section 3 (c) of the Lend-Lease Act which we are proposing to sign jointly with representatives of the Chinese Government on or before June 30, 1946.

The components of the agreement have been authorized by you in the past in reply to specific requests I have set before you for authorization, but I believe you will desire to see the picture as a whole in an agreement that may, at some early date, be made public.

The three major components of the agreement are as follows:

1. The provision of goods and services up to an amount of \$25 million from July 1, 1946, to October 31, 1946 to complete the repatriation program and the reoccupation of formerly occupied areas of China;

2. The provision of supplies and services in support of Chinese forces engaged in the occupation of Japan, in an amount determined by the Senior U. S. Commander in Japan to be necessary to supplement supplies and services available to Chinese forces from Chinese resources;

3. The continuation to December 31, 1947 of a program of training Chinese air cadets in the United States, begun before V-J Day and authorized by the President, at the request of the Generalissimo, to be continued; the initiation of a new training program in the U. S. for Chinese ground and medical officers, at the request of the Chinese Ministry of War and supported by General Marshall and the U. S. Commanding General, China Theatre; the continued provision of naval maintenance supplies and services for U. S. naval vessels transferred to China under the Lend-Lease Act before June 30, 1946, and continued training of Chinese naval personnel at Tsingtao.

<sup>38</sup> For further correspondence on the subject of ship transfers, see pp. 786 ff.

<sup>39</sup> Not printed.



Except for the airforce training program, the draft agreement is limited in its reference to programs of assistance after June 30, 1946. The agreement provides that all the subject programs will be paid for by the Chinese Government against bills to be rendered. This is without prejudice to the settlement for lend-lease assistance made available to China prior to June 30, 1946. However, in the case of the airforce training program, the agreement provides (in Article III) that bills to be rendered will cover costs incurred by the U. S. in the period November 30, 1945 through June 30, 1946. This is in accord with the Generalissimo's note to the President of November 14, 1945<sup>40</sup> urging the continuation of the program and stating that his Government expected to bear the costs of the program from November 30, 1945 forward under an agreement to be concluded between the two Governments. It is further in accord with the understanding of the Secretary of State when on February 12, 1946, he authorized the War Department to proceed with the air training program under assurances of reimbursement for expenditures made after November 30, 1945.

We have met some resistance from Chinese representatives in Washington on the matter of incorporating in the 3 (c) agreement a reference to Chinese obligations to pay for the airforce training program from November 30, 1945 to June 30, 1946, and it may be that this matter will have to be referred to you for further action.

In the event the agreement is signed, I should like your instructions as to the advisability of making it public at the time of signing.<sup>41</sup>

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893.24/6-746

*The Acting Secretary of State to the Secretary of War (Patterson)*

WASHINGTON, July 10, 1946.

MY DEAR MR. SECRETARY: Reference is made to War Department memorandum of June 7, 1946, (OPD 400.3295) regarding the continuation of certain military programs of aid to China, namely, the Reoccupation Program and the Training and Equipment Program, and War Department memorandum of June 11, 1946, (OPD 350.2) regarding the training of Chinese medical students and Chinese officers.

In accordance with the authority vested in the Secretary of State by the President's memorandum to the Secretaries of War and of

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<sup>40</sup> See telegram No. 1973, November 14, 1945, 8 a. m., from the Chargé in China, *Foreign Relations*, 1945, vol. VII, p. 629.

<sup>41</sup> Marginal notation by Mr. Acheson: "O. K. Please speak with me before giving out text of Agreement or any press release so that we can clear with General Marshall."

the Navy of January 19, 1946,<sup>42</sup> the War Department is hereby authorized to provide the Chinese Government with services and government-owned equipment under the Lend-Lease Act in support of the programs referred to above. The authority to continue the Reoccupation and Training and Equipment Programs extends up to but not beyond October 31, 1946, and the expenditures involved in the completion of these two programs after June 30, 1946, may not exceed \$25,000,000. The authority to proceed with the training of medical and ground officers extends up to but not beyond December 31, 1947, and the expenditures of the War Department in the completion of these programs may not exceed \$1,250,000.

The War Department is further authorized to provide services and to transfer government-owned equipment under the Lend-Lease Act in support of Chinese troops engaged in the occupation of Japan for a maximum period of three years ending June 30, 1949. The amount and the duration of the assistance to be provided shall be as determined by the Senior United States Commander in Japan to be necessary to supplement the equipment and services available to the Chinese forces from the resources of the Republic of China.

There is attached hereto a photostatic copy of the 3 (c) Agreement signed on June 28, 1946, by representatives of the Governments of the United States and China.<sup>43</sup> Article II of the Agreement comprehends all the programs authorized above and extends the date from May 1, 1947, to December 31, 1947, of the air training program previously authorized by the Secretary of State in his letter to you of February 12, 1946.<sup>44</sup> You will note that Article II (c) of the Agreement refers to training programs the cost of which to the Government of the United States after June 30, 1946, shall not exceed \$15,000,000. It is intended that \$10,000,000 of the \$15,000,000 shall cover the costs of the War Department air, ground and medical training programs and \$5,000,000 shall cover the costs of the Navy Department's training program. You will note further that, in Article III of the Agreement, the Government of the United States shall be reimbursed by the Government of China upon presentation of bills. The bills may be presented, at the discretion of the War Department, either in advance of or subsequent to the provision of assistance under the programs authorized above.

I understand that a check for \$4,000,000 toward the costs of the air training program after June 30, 1946, was turned over to the War

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<sup>42</sup> See revised draft of memorandum from President Truman to the Secretaries of War and Navy, January 19, p. 727.

<sup>43</sup> Department of State T.I.A.S. No. 1746, or 61 Stat. (pt. 4) 3895.

<sup>44</sup> *Post*, p. 769.

Department by the Chinese Government on June 29, 1946, and that funds in the amount of \$1,250,000 were deposited by the Chinese Government with the United States Treasury for payment to the State Department against the costs of the medical and officers training program.

Sincerely yours,

DEAN ACHESON

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Colonel Marshall S. Carter*<sup>45</sup>

NANKING, 22 July 1946.

1164. Reference your 94906, Jul 19[18], and 1139<sup>46</sup> regarding Chinese legislation. Present view follows: In the present state of my efforts to influence China governmental course of action and the determined stand and plans of political reactionaries, civil and military, I do not wish to urge the passage of the legislation. Yet I do not want it withdrawn. I think it might help me if State Department put it forward and Congress declined or failed to act on it. The consequences out here of delays in receiving equipment, etc., would be negligible compared to the importance of possible favorable influence on these people of the refusal of Congress to act at this time.

Please quickly check my proposition with Acheson or Mr. Byrnes and inform me accordingly.

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893.24/7-2346 : Telegram

*Colonel Marshall S. Carter to General Marshall*

[WASHINGTON,] 23 July 1946.

95249. Shipment of military end-use items to China is subject. Chinese Supply Commission has requested export license for 40,000 steel castings purchased from commercial sources for machine gun barrels. They have also asked Winchester Arms Company to sell them 700 million rounds of small-arms ammunition. They are attempting to purchase through War Assets Administration approximately 150,000,000 rounds of 7.92 mm. surplus rifle ammunition. In addition is the requirement for 6 months' reserve for peacetime Army program as transmitted by General Yu Ta-wei.<sup>47</sup> On all of these

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<sup>45</sup> General Marshall's representative in Washington.

<sup>46</sup> Latter telegram dated July 18, neither printed. In telegram No. 94906. Colonel Carter reported view concurred in by Secretary of State Byrnes that the China Aid Bill would not pass in the current session of Congress without strong personal appeal from General Marshall, and it was recommended that such an appeal be made.

<sup>47</sup> Chinese Minister of Communications.



requests this office has been approached for clearance, and I have continued to stall. It may be anticipated that further intensive activity along the foregoing lines will occur. Please verify my assumption that until the situation clears, shipment of military end-use items to China obtained from any source should continue to be deferred. A consideration is also that Chinese may go to British, Belgians, Russians or other sources if turned down by U. S. State Department is prepared to intercede with these other sources to prevent shipments if desired.

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter to General Marshall*

[WASHINGTON,] 23 July 1946.

95280. Your 1164<sup>48</sup> refers, which crossed my 95190.<sup>49</sup> Mr. Byrnes stated he was too far away from the picture to be of much help to you in analyzing the effect in China of defeat of the bill, but your proposition met with his complete concurrence and he would guide himself accordingly.

Mr. Bloom<sup>50</sup> called me this morning requesting your guidance. He reaffirmed his desire to do whatever you want done. He stated that the only way to get the bill considered by the House this session was under "suspension of the rules" which limits debate to 20 minutes for each side and requires two-thirds vote for passage. He predicted defeat on this basis, which he felt would play directly into Communist hands. He then proposed letting the bill die on the House vine. Mr. Bloom is not aware of your 1164. I asked him to take no action to have the bill considered by the full House unless he heard further from me, and he agreed.

The Senate Foreign Relations Committee has completed its hearings and will meet tomorrow to decide its action. If favorably reported the bill will be placed on the calendar but will probably not be considered by the Senate unless extreme pressure is exerted.

At present writing, therefore, the bill will probably expire with Congress, unless some uninformed but enthusiastic proponent insists on action, in which case the bill will probably be hotly debated and defeated. Therefore in the absence of further instructions will make no further effort to get the bill on the floor, thus probably allowing it to die quietly.

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<sup>48</sup> Telegram of July 22, p. 753.

<sup>49</sup> Telegram of July 22, not printed.

<sup>50</sup> Sol Bloom, Chairman of the House Committee on Foreign Affairs.

Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Colonel Marshall S. Carter*

NANKING, 24 July 1946.

1173. Prefer to let bill expire with Congress as indicated last para your 95280 <sup>51</sup> if that can be arranged. If deemed desirable, you are at liberty to acquaint Sol Bloom with views in 1164.<sup>52</sup>

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Colonel Marshall S. Carter*

[NANKING], 26 July 1946.

1181. There is no objection that I see for the Chinese to purchase equipment and ammunition in the United States providing it is stipulated that delivery on undelivered items, whether paid for or not, can be withheld by the United States should that course appear to be in the best interests of the United States. Your 95249 <sup>53</sup> refers. In this connection I asked General Gillem <sup>54</sup> very recently to add a similar proviso in a message he was sending to the War Department concerning additional equipment and 7.92 ammunition for the Chinese. While I am uncertain that this proviso is completely feasible I feel that this course would be best as far as my negotiations are concerned and also would be in the best interest of the United States. Even if the suggestion is not feasible an embargo could be established should United States policy be changed or modified.

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893.24/8-646

*The Acting Secretary of State to the Administrator of the  
War Assets Administration (Littlejohn)*

WASHINGTON, August 6, 1946.

MY DEAR GENERAL LITTLEJOHN: The Department of State has been informally queried by the War Assets Administration regarding the advisability of selling to the Chinese Supply Commission a considerable quantity of surplus small arms ammunition.

The Department of State interposes no objection to this sale or to subsequent sales of military items of equipment and ammunition, providing there is appended as part of the sales agreement the following proviso:

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<sup>51</sup> *Supra.*

<sup>52</sup> Telegram of July 22, p. 753.

<sup>53</sup> Telegram of July 23, p. 753.

<sup>54</sup> Lt. Gen. Alvan C. Gillem, Jr., Commanding General, China Service Command at Shanghai.

"It is the desire of the United States Government that these munitions be destined for an integrated and representative National Army under a coalition government. It is to be understood by the Chinese Government that if at the time for delivery, it appears to be in the best interests of the United States, this contract can be terminated by the United States subject to such financial adjustments as may be subsequently negotiated."

Sincerely yours,

DEAN ACHESON

893.24/8-2046

*The Acting Secretary of State to the Administrator of the  
War Assets Administration (Littlejohn)*

WASHINGTON, August 20, 1946.

MY DEAR GENERAL LITTLEJOHN: In extension of my letter to you of August 5 [6], and a memorandum on the same subject from the Policy Committee on Arms and Armaments, dated August 13,<sup>55</sup> it is considered desirable to point out that two separate actions are required prior to actual delivery of armaments in China. The sale of surplus armaments by the War Assets Administration to the Chinese Government is contingent upon the understanding that such armaments are destined for an integrated and representative National Army under a coalition government, and that even under these conditions the contract may be terminated by the United States at time of delivery, if such action appears to be in the best interests of the United States. The issuance by the Department of State of an export license for such armaments is contingent upon the same understanding, particularly the question of timing of delivery in China as it affects the best interests of the United States.

It is reasonable to assume that the Chinese Government may wish to consummate sales of certain armaments at this time, even though conditions are such that export licenses could not be issued now or in the immediate future. The Department of State would interpose no objection to such sales, providing the Chinese Government was made fully aware that such action did not commit the United States Government to an immediate issuance of an export license. At the same time, there are some types of military end-use items for which export licenses could be issued concurrently with consummation of their sale without adversely affecting the best interests of the United States.

For the foregoing reasons, I believe that the closest coordination should continue to be maintained between your Administration and the Department of State on each proposed sale on an individual basis, so that the Chinese Government may be kept accurately informed as

<sup>55</sup> Latter not found in Department files.



to the possibility of obtaining an export license for such armaments prior to signing of the sales contract.

Sincerely yours,

DEAN ACHESON

893.24/8-1646

*The Chief of the Munitions Division (Cummins) to the Chairman of the Chinese Supply Commission (Wang)*

WASHINGTON, August 23, 1946.

DEAR DR. WANG: I am in receipt of your letter of August 16, 1946,<sup>56</sup> in which you request a ruling whether or not a license will be granted the Chinese Government for the export of 130 million rounds of 7.92 mm rifle cartridges.

With regard to export licenses for munitions of war in general, it is, of course, understood that, if at the time of delivery it appears to be in the best interests of the United States, such export license may be withheld or revoked. With specific reference to China, in accordance with the policy enunciated by the President on December 15, 1945,<sup>57</sup> it is the desire of the United States Government that munitions of war for export to China be destined for an integrated and representative national army under a coalition government.

In the light of the foregoing, and in view of existing circumstances, the Department of State regrets that it is not in a position to grant, at this time, an export license for the subject rifle ammunition.

Sincerely yours,

E. T. CUMMINS

811.79693/9-746 : Telegram

*The Consul General at Shanghai (Davis) to the Secretary of State*

SHANGHAI, September 7, 1946—1 p. m.

[Received 3 : 50 p. m.]

1672. W. L. Bond, American director of China National Aviation Corporation, states that CNAC planes with American crews have been making flights at request of Chinese Government to supply to besieged Nationalist troops, chiefly from Hsuehchow to Tsinan area. Recently a CNAC plane was fired upon presumably by Communists and was struck at least four times. Since American personnel might easily become casualties, the American officials of CNAC have raised question of possible embarrassment from use of American personnel in such operations. In circumstances matter is brought to Embassy's attention for such action as may be deemed necessary. If request not to utilize American personnel in these semi-military flights should

<sup>56</sup> Not printed.

<sup>57</sup> *United States Relations With China*, p. 607.

be made, Bond will cooperate fully as he regards these activities as apt to involve them and their American personnel in serious difficulties.

Sent Nanking as 958, repeated Department.

DAVIS

811.79693/9-946 : Telegram

*The Consul General at Shanghai (Davis) to the Secretary of State*

SHANGHAI, September 9, 1946—4 p. m.

[Received September 9—11 : 55 a. m.]

1691. William R. Ewing, CNAC pilot, called at ConGen<sup>57a</sup> regarding utilization CNAC planes and American crews to carry supplies to Nationalist troops. Mytel 958, September 7, repeated to Dept. as 1672. From his statement such supplies have included war material such as hand grenades, mortar shells, rifles and in one instance a tank. He is apprehensive lest such activities involve him in difficulties under American statutes. ComGen<sup>58</sup> does not believe activities bring pilots concerned within provisions of section 401 of Nationality Act of 1940,<sup>59</sup> as amended, but considers it undesirable for reasons of policy for American citizens to participate. Embassy's views would be appreciated.

Sent to Nanking as 966, repeated to Dept as 1691.

[DAVIS]

811.79693/9-746 : Telegram

*The Acting Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, September 10, 1946—7 p. m.

736. If Gen Marshall concurs Bond should be informally told this Govt desires CNAC not utilize US personnel in flights of (Shanghai's 1672, Sept 7, 1 p. m.) character described.

CLAYTON

811.79693/9-1346 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, September 13, 1946—1 p. m.

[Received September 14—5 : 20 p. m.]

1477. As ConGen may be aware, situation described in its 958,<sup>60</sup> September 7 and 966,<sup>61</sup> September 9 is a recurring one. Embassy

<sup>57a</sup> Consulate General.

<sup>58</sup> Commanding General, China Service Command.

<sup>59</sup> Approved October 14, 1940 ; 54 Stat. 1137.

<sup>60</sup> Repeated to the Department as telegram No. 1672, p. 757.

<sup>61</sup> Repeated to the Department as telegram No. 1691, p. 758.

concurs that section 401 of Nationality Act 1940 is not applicable and since no question of involuntary servitude arises, it considers the problem on the one hand primarily for decision by individual pilots on basis of their contractual rights and on the other for Pan American as part owner of CNAC. For your confidential information, Embassy does not wish to be placed in a position by Mr. Bond of advising an official of a Chinese semi-governmental owned corporation not to engage in any given activity but it has made occasion to bring the undesirability of the employment of American pilots for such purposes by CNAC informally to the attention of the Acting Foreign Minister <sup>62</sup> in suchwise that he undertook to discuss situation with parties concerned forthwith. No mention was made to Dr. Kan of initiative taken by Bond.

Sent Shanghai 583; repeated to Department 1477.

STUART

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Colonel Marshall S. Carter*

[NANKING,] 13 September 1946.

1489. According to information available here, one of the three programs authorized under the Lend Lease 3 (c) clause is the continuation of the training and equipment program. Training equipment for 10 Communist Divisions is a part of that program and the equipment, about 300 tons, is already in Peiping. However, turn-over under the 3 (c) clause is supposed to be effected by 31st October 1946. The Generalissimo, see CFBX 28398 dated 13 April,<sup>63</sup> refused to accept the Communist equipment under Lend Lease until reorganization and integration of these forces began, which cannot take place before 31 October. Other indications would also suggest delays past 31st October.

Please notify appropriate War Department agencies of this situation and request they endeavor to devise some legal means of turn-over of this equipment sometime after 31st October 1946.

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811.79693/9-1446 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, September 14, 1946—5 p. m.

[Received September 15—1 : 40 a. m.]

1485. General Marshall approved Embassy's telegram 1477, September 13, 1 p. m., which was despatched before Department's telegram

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<sup>62</sup> Kan Nai-kuang.

<sup>63</sup> Not printed.



736, September 10, 7 p. m., was decoded. In these circumstances, is Department content to await results of action already taken?

STUART

893.24/9-1046 : Telegram

*The Acting Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, September 16, 1946—5 p. m.

755. Reurtel 1448, Sep 10,<sup>64</sup> breakdown post V-J Day military lend-lease aid to China given below. Period covered Sep 2, 1945 through Jul 31, 1946. Note that time lag in reporting makes figures incomplete.

<i>Category</i>	<i>\$ million of aid</i>
Ordnance & ordnance stores	64.1
Aircraft & Aeronautical material	11.3
Tanks & other vehicles	88.6
Miscellaneous military equipment	41.9
Agricultural, industrial & other commod.	21.0
Services & expenses	398.3
Total	625.2

CLAYTON

811.79693/9-1446 : Telegram

*The Acting Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, September 16, 1946—6 p. m.

757. Action (Embtel 1485, Sept 14, 5 p. m.) approved.

CLAYTON

Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter to General Marshall*

[WASHINGTON,] 26 September 1946.

81589. Your 1489<sup>65</sup> refers. War and State Departments agree that the 3c lend lease agreement of 28 June 1946, cannot be legally altered, either in point of time or monetary value. Two immediately available alternative solutions remain, either of which is acceptable to War and State.

The first is to have a representative of the Chinese Govt sign a receipt for the purpose [*purchase?*] the property in order to effect transfer prior to 31 October 1946, with custody and possession re-

<sup>64</sup> Not printed; it requested on behalf of T. V. Soong, President of the Chinese Executive Yuan, a breakdown of post V-J Day military lend-lease.

<sup>65</sup> Telegram of September 13, p. 759.

maining with United States until integration begins. This would apparently necessitate reopening the question with the Generalissimo, the merits of which can only be decided in China. Further, pilferage claims arising during the time in U. S. custody might complicate ultimate settlement of the account.

Secondly, the equipment can be retained by U. S. for subsequent declaration as surplus and sale to the Chinese Govt.

For those portions which are clearly munitions of war, approval of SWNCC would be necessary at such time as surplus sale was consummated, but this should not be difficult if conditions in China warrant the transfer. This method should meet with the least resistance both here and in China and prove to be the most workable in any turn of events. Chinese should understand, however, that this method is not a part of the overall surplus sale, and payment will be expected on same basis as for lend lease transfer.

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Marshall Mission Files, Lot 54-D270

*General Marshall to Lieutenant General Alvan C. Gillem, Jr.*

OSE 466

NANKING, 27 September 1946.

General Marshall desires that all action to complete the so-called reoccupation (of Manchuria) program, that is the supply of ammunition and combat equipment to the Chinese Government, be deferred until further notice from him.

For General Marshall :  
J. HART CAUGHEY  
Colonel, G. S. C.

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Colonel Marshall S. Carter*

[NANKING,] 29 September 1946.

1579. Second solution where equipment is retained by United States Reurad 81589 for subsequent declaration as surplus and sale to Chinese Government appears most workable here also.

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Colonel Marshall S. Carter*

[NANKING,] 8 October 1946.

1615. Chinese Maritime Customs program is subject of this background message for your reference. General Marshall's 1494 of 13.

September sent to ComSeventh Fleet<sup>66</sup> stated "I just read your 110413<sup>67</sup> recommending sale of limited quantities of weapons and ammunition to Maritime Customs. I would prefer that you stop any possible sale for this purpose for time being."

Admiral Cooke reopened question requesting approval in principle only and on 24 September, General Marshall[']s] 1552<sup>68</sup> said in part "Amount of munitions involved is not large, but I am concerned over fact some of it, regardless of amount, might fall into hands of combat troops, and also that a damaging publicity campaign can be manufactured out of such transfer. However, I will concur in principle to transaction but request that Maritime Customs office be required to give formal assurance this ammunition will not be employed in civil strife."

It then appears to have been taken up in Washington resulting in dispatch of Chief of Naval Operations' message of 4 October saying: "In view of General Marshall's comments, the State Department would only with reluctance concur in principle transfer of arms and ammunition. In addition mechanism for transfers under Public Law 512<sup>69</sup> has not yet been developed. It would therefore be necessary to obtain special Presidential approval in this instance. In light of above, transfer of arms and ammunition to Chinese not approved at this time."

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Colonel Marshall S. Carter*

[NANKING,] 12 October 1946.

1641. Plan A is out, as undesirable, 81589<sup>70</sup> refers. If equipment is disposed of as surplus under plan B, Chinese would claim 22 per cent of cost rate under surplus agreement rather than the higher figure under Lend-Lease. But, what is more important, surplus disposals are not to include military items and we have so stated.

Please check following proposal with appropriate authorities: Peiping Headquarters Group (where equipment is now stored) arbitrarily to retain equipment under U. S. control thus removing it from Lend-Lease. U. S. to dispose of property, when conditions are right for integration, to Chinese by direct sale, after approval by SWNCC.

Based on reply I will inform Government of this manner of handling the equipment and issue appropriate instructions to Peiping Headquarters Group.

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<sup>66</sup> Vice Adm. Charles M. Cooke, Jr., Commander U.S. 7th Fleet.

<sup>67</sup> Telegram of September 12, not printed.

<sup>68</sup> Not printed.

<sup>69</sup> Bill to provide assistance to the Republic of China in augmenting and maintaining a naval establishment and for other purposes, approved July 16, 1946; 60 Stat. 539.

<sup>70</sup> Telegram of September 26, p. 760.



893.00/10-1446 : Telegram

*The Ambassador in France (Caffery) to the Acting Secretary of State*

PARIS, October 14, 1946—midnight.  
[Received October 14—10:05 p. m.]

5169. For Acheson and Vincent from the Secretary.<sup>71</sup> Bevin<sup>72</sup> has told me that British have received request from Chinese for purchase of arms. Bevin has issued instructions that sales are not to be made. [Byrnes.]

CAFFERY

Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter to General Marshall*

[WASHINGTON,] 14 October 1946.

83022. Your 1641<sup>73</sup> refers. Please refer to my 81589<sup>74</sup> which pointed out the only 2 presently available methods of transferring equipment to the Chinese. No legal authority exists for any other method until legislation is passed. After 31 October the only legal method of transfer is through the Surplus Property Act.<sup>75</sup> Accordingly, any sale or transfer to Chinese after 31 October as proposed in 1641 must be accounted for here as a sale of surplus property.

The fact that the August 30 agreement<sup>76</sup> did not include military items is a cogent reason why Chinese should not expect a cut rate deal for this special case. Although the general policy is not to sell military equipment through FLC surplus channels, exceptions can be made by SWNCC, as witness the 8-1/3 Group Program authority contained in 99542 of 2 March<sup>77</sup> and 84478 of 15 April.<sup>78</sup>

The Chinese can be told substantially as indicated in your 1641 proposal, but the actual mechanics will involve declaration of surplus by Army and sale by FLC, after approved by SWNCC at a price determined unilaterally by United States in accordance with last paragraph 82599.<sup>79</sup>

<sup>71</sup> Secretary of State Byrnes was attending Meeting of Foreign Ministers in Paris.

<sup>72</sup> Ernest Bevin, British Secretary of State for Foreign Affairs.

<sup>73</sup> Telegram of October 12, p. 762.

<sup>74</sup> Telegram of September 26, p. 760.

<sup>75</sup> Approved October 3, 1944; 58 Stat. 765.

<sup>76</sup> Surplus Property Agreement signed at Shanghai; for text, see Department of State Publication No. 2655, *Report to Congress on Foreign Surplus Property Disposal*, October 1946, p. 40.

<sup>77</sup> Not found in Department files.

<sup>78</sup> Not printed.

<sup>79</sup> Dated October 8 from the Chief of Staff (Eisenhower) to Col. Caughey, not printed. Last paragraph stated that "regardless of whether Chinese accept transfer under Lend-Lease prior to 31 October, or purchase through surplus channels subsequent to that date, the selling price of the equipment will be the same, and will equal the U. S. cost of equipment plus normal transportation and handling charges."

Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Colonel Marshall S. Carter*

[NANKING,] 16 October 1946.

1652. Rewrite of message proposed in your 82777 <sup>80</sup> follows:

"Following programs, 2526 <sup>81</sup> and 82140 <sup>82</sup> refer, of military supply assistance to the Chinese are recognized by the War Department:

- a. 8-1/3 group Chinese Air Force program.
- b. Reoccupation program of areas previously held by Japan.
- c. Training and equipment program for Communists at Kalgan.
- d. Chinese occupation program of Japan.

The temporary suspension of supply action in regard to existing Chinese requirements on approved programs applies only to weapons, arms, ammunition, munitions of war, and combat type items of military equipment required for programs *a* and *b* above. In cases where this temporary suspension is applicable supply action may continue up to but not including shipment to Chinese ports or actual turnover to Chinese representatives. Delivery of civilian type items, either to meet prior commitment or as a part of surplus property sales, may continue."

With this rewrite as a basis please have necessary instructions issued from Washington to interested Commanders and also inform Chinese Supply Commission. I consider it preferable, under the circumstances, that my name be kept out of this transaction.

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893.00/10-3046 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 30, 1946—1 p. m.

[Received October 30—9:25 a. m.]

1768. On October 21 British Embassy, under instructions from London, informed Chinese Govt that its request for sale of 100 million rounds of 7.92 millimeter ammunition had been denied. This Chinese request followed contract made June 1946 for 50 million rounds of .303 ammunition for use of Chinese troops which the British trained and equipped in Fukien during the war. It was supplied from stocks in India and was loaded ready for shipment on September 15.

British Foreign Office instructions to British Embassy state for its information that under no circumstances would the British Govt undertake unilaterally further sale of ammunition to China and that in any other arrangement the British Govt would probably prefer to take no part.

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<sup>80</sup> Telegram of October 12, not printed.

<sup>81</sup> Not found in Department files.

<sup>82</sup> Telegram of September 28, not printed.

British Govt's refusal apparently came as no surprise to Chinese Govt since the Chinese official to whom it was communicated prefaced the conversation by saying: "I suppose you have come to tell me that the answer is no". According to British Embassy, he went on to say that requested supplies were no longer needed inasmuch as the situation here had completely changed since request was made and Govt's position was such that, unless Communists were willing to settle by negotiation, Govt's armies would have made sufficient progress within the next 2 or 3 months so that it would no longer be possible to speak of a Communist menace.

STUART

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter to General Marshall*

[WASHINGTON,] 5 November 1946.

84773. The War Department is now preparing its agenda of legislation for enactment by the next Congress, due to convene in January. State Department is probably doing the same although they have not yet contacted me. Question is the priority, importance, and amount of pressure, that should be placed on the Aid to China Bill. Unless this legislation is passed, the United States will soon be in a position where it will be legally impossible to assist the Chinese Government with an advisory group or essential supplies for their long range peacetime army program. Accordingly I have advised the working levels in the War Department that the proposed legislation was extremely important and should have a high priority, but that the amount of pressure could not now be determined since it would depend to a large extent on the political situation in China and possible effect on your mission at the time pressure is to be applied.

Please advise me of your views in the matter.

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Colonel Marshall S. Carter*

NANKING, 6 November 1946.

1726. I concur in the view expressed in the next to the last sentence of 84773.<sup>83</sup> I regard the Aid to China Bill as indispensable to the planned establishment of an effective National Army. It should be given a high priority so that immediate consideration by Congress

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<sup>83</sup> *Supra.*



will be possible when permitted by the political situation in China.<sup>84</sup>

I will reserve decision as to the amount of pressure to be exerted until Congress convenes. Can actual consideration of the bill be deferred without the priority being forfeited?

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter to General Marshall*

[WASHINGTON,] 9 November 1946.

85181. Reur 1726.<sup>85</sup> Consideration of the Aid to China Bill can be deferred without priority being forfeited. When the bill has been introduced it will probably be referred to House and Senate Foreign Relations Committees. The Chairmen of these two committees will probably be Senator Vandenberg and Representative Eaton, both of whom I am sure will cooperate 100 percent with your desires and who should be able to control the timing of final consideration on the floor. However, once the bill has been introduced, even though it is referred to Committee, it is public property and takes its place on the calendar, from which it can be attacked at any time on the floor by opponents, even though it is not up for final consideration. Likewise, if committee hearings are open, considerable publicity will probably ensue in same manner as before.

The priority and pressure to be exerted by War and State Departments will depend entirely upon your wishes.

It would, therefore, be desirable not to introduce the proposed legislation until the time is ripe to exert pressure for its passage. This action is the only safeguard to avoid attacks at a time when we may be ill prepared to withstand them.

Accordingly in the absence of further instructions, I will take necessary action to request War and State Departments to prepare all of the necessary papers for introduction and consideration of the bill at the proper time, but not propose the legislation to the Congress until such time as you indicate.<sup>86</sup>

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<sup>84</sup> A letter of November 19 from the Director of the Office of Far Eastern Affairs (Vincent) to Colonel Carter, acknowledging his letter of November 13 setting forth General Marshall's views on this subject, stated: "Mr. Acheson has directed me to inform you that this Department concurs in General Marshall's views as expressed in your letter and will be guided accordingly." (711.93/11-1346)

<sup>85</sup> *Supra.*

<sup>86</sup> In telegram No. 1739, November 11, General Marshall concurred with this procedure.

## II. CONTINUATION OF CHINESE AIR FORCE TRAINING IN THE UNITED STATES; SUSPENSION OF TURNOVER OF AIRCRAFT AND EQUIPMENT

893.796/2-146 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, February 1, 1946—9 p. m.

204. For General Marshall <sup>87</sup> from Colonel Davis.<sup>88</sup> Following is transmitted for your information and constitutes best information available here on present status of transport type aircraft made available to Chinese together with related training programs. Data here is not as complete as that available in theater either as to past performance or future requirements. Insofar as future planning for commercial aviation in China is concerned, there is a lack of information here as to what the Chinese program for civil aviation is and, therefore, what surplus aircraft it expects to obtain from FLC.<sup>89</sup> From a military point of view, the War Department is being guided in its aid to the Chinese Air Force by the 8-1/3 air group plan which was concurred in principle by yourself and the Generalissimo.<sup>90</sup> (Radio CFBX 21204, dated 25 January, from ComGenChina <sup>91</sup>). This latter program includes one group of C-47's and one group of C-46's.

*Part I. Surplus Planes Purchased from the U. S.* Chinese National Aviation Corporation, which is owned 80% by the Chinese Government and 20% by the Pan American Airways, recently purchased as surplus from FLC 8 C-47's and 3 C-53's. It is also operating an additional 20 C-47's and 16 C-46's, which were obtained under lend-lease prior to V-J Day <sup>92</sup> and which are still in their possession, according to Mr. William Bond of CNAC, who recently visited the Department, and is source of CNAC data in this paragraph. CNAC recently leased six C-54B's from FLC and contemplates using these planes on proposed routes to the Philippines, Singapore, Japan, and the South Seas. C-54B's are under allocation by the Surplus Property Administration, and supply is extremely limited.

The Central Aviation Transport Corporation (CATC) is owned by the Chinese Government. In December, it purchased 10 surplus C-47's for cash from FLC in Calcutta. It is understood here that until this purchase it had been using 14 Japanese transport aircraft similar to the DC-3.

<sup>87</sup> General of the Army George C. Marshall, Special Representative of President Truman in China.

<sup>88</sup> Col. James C. Davis, General Marshall's representative in Washington.

<sup>89</sup> Foreign Liquidation Commission.

<sup>90</sup> President Chiang Kai-shek.

<sup>91</sup> Not printed; Lt. Gen. Albert C. Wedemeyer was Commanding General, U. S. Forces, China Theater.

<sup>92</sup> September 2, 1945, official date of Japanese surrender.

No other transport type aircraft have been sold to the Chinese by FLC although the Great China Aviation Corporation, which is sponsored by the Chinese Youth Movement, recently contacted FLC in regard to acquiring surplus transport aircraft, but nothing concrete has developed in this matter. There are available a considerable number of surplus C-47's and C-46's in the Pacific and C-54A's in the U. S. which could meet Chinese requirements. All surplus planes are sold or leased for cash. However, in the case of China, it is believed desirable to sell surplus planes as offset against U. S. Yuan debt to China. For your information there follows the Surplus Property Administration prices for various types of surplus planes. Column A is the cash purchase price and Column B is the rate per annum on lease for 5 years:

	A	B
C-54A	\$75,000	\$16,000
C-54B	90,000	24,000
C-53	25-40,000	8,000
C-47	20,000	4,000
C-46	25-40,000	not available

SPA and FLC understandably desirous of selling rather than leasing planes, and will lease only in exceptional cases. Column B figures are minimum.

*Part II. Lend-Lease.* See paragraph 5A, Deptel 101, 17 January.<sup>93</sup> No transport type aircraft have been turned over to the Chinese under civilian lend-lease. Therefore, this part deals only with military lend-lease. From V-J Day to December 15, 1945, General Wedemeyer transferred to the Chinese Government for the Chinese Air Force, under lend-lease, 68 C-47's and has indicated that he will turn over to them an additional 40 C-47's when the Chinese have crews available to man these planes. Prior to V-J Day, U. S. turned over to the Chinese Government on lend-lease 72 C-47's, 24 C-46's, and 14 C-53's for use by CNAC and CAF. Firm data concerning the turn-over of lend-lease planes to China is available only until V-J Day because of time lag required for receipt of transfer records. Types of planes useful for commercial operations, which will include those C-47's and C-46's initially transferred as lend-lease and used by CAF for troop carrying purposes, according to State Dept view, should be sold to Chinese at Surplus Property Administration prices at time of over-all negotiations and value offset against U. S. Yuan debt. If Chinese unwilling to offset value against Yuan debt, matter of payment will be decided upon at time of over-all agreement.

<sup>93</sup> *Post*, p. 912.



*Part III. Status of Chinese Air Force Training Program.* There are now 634 pilots and 700 non-pilot air crew members training in the U. S. 1220 trainees and 50 interpreters and leaders (commanders of a group of men) are in China scheduled to come to the U. S. in increments of 300 at 2-month intervals. By direction of the President, foregoing, which was approved prior to V-J Day, will be continued until 30 June 1946. Disposition thereafter is dependent on examination of over-all Chinese assistance programs in compliance with President's directive sent to you in Deptel 136, dated 22 January.<sup>94</sup> Chinese request for transition of 103 B-25 crews to C-46 has been approved; the transition of 12 B-24 crews to C-54 training is awaiting Wedemeyer's concurrence. Chinese have requested equipment for establishment of training schools in China. Lists being prepared so Chinese can request same from surplus property agencies.

IBT<sup>95</sup> is presently holding as excess about 70% equipment necessary to establish 18 service groups and 4 depot groups in China for use by Chinese Air Force, based on plan for 18 group CAF. However, when the 8-1/3 group program is firm, it is contemplated that this service equipment will be reduced approximately 50%. This equipment earmarked on presumption it would be sold to Chinese as surplus property. General Wedemeyer has been advised and asked to get firm commitment from Chinese on amount desired and furnish shipping instructions to IBT. Wedemeyer stated that he had not been able to see you on this. Answer needed on this equipment to expedite closing IBT and still make equipment available to China.

Development of plans for provision of transport type aircraft for non-military purposes is dependent on preparation and approval of Chinese civil air program. No effective steps toward this end have been taken here; thus, future progress in this matter apparently rests upon the celerity with which Chinese formulate program which you can approve. [Davis.]

BYRNES

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811.22793/2-1246

*The Secretary of State to the Secretary of War (Patterson)*

WASHINGTON, February 12, 1946.

MY DEAR MR. SECRETARY: The Assistant Chief of Staff, G-4, War Department General Staff, sent to this Department for comment a memorandum addressed by Acting Secretary of War, Kenneth C. Royall, to Admiral William B. Leahy,<sup>96</sup> transmitting a draft letter

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<sup>94</sup> See footnote 8, p. 727.

<sup>95</sup> India-Burma Theater.

<sup>96</sup> Chief of Staff to the Commander in Chief, President Truman.

for the President's signature which would authorize continuance of the Chinese Air Force Training Program under lend-lease. These documents have been returned to the Assistant Chief of Staff.

In view of the President's memorandum of January 19, 1946 to the Secretaries of War and Navy<sup>97</sup> outlining the policy of this Government with respect to lend-lease aid to the Government of China after March 2, 1946, it appears that it is no longer necessary to submit to the President the draft letter attached to the above mentioned memorandum.

In accordance with the President's memorandum of January 19, 1946, vesting in the Secretary of State the authority to extend the period for providing lend-lease aid to China, and in accordance with this Government's policy regarding military assistance to China and the exchange of messages in November, 1945 between the President and the Generalissimo,<sup>98</sup> I hereby authorize the War Department to continue the Chinese Air Force Training Program for approximately 2,300 students already in the United States and 1,280 students still in China for a period extending not later than May 1, 1947. The Chinese Government will bear the expense of this continued program under terms of an agreement to be concluded with that Government.

To enable this Department to conclude such an agreement with the Chinese Government at the earliest possible date, it would be very much appreciated if the War Department would provide an estimate of the probable cost of the program.

Sincerely yours,

JAMES F. BYRNES

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811.22793/4-346

*The Chinese Ambassador (Wei) to the Secretary of State*

The Chinese Ambassador presents his compliments to the Secretary of State and has the honor to send herewith a copy of a Memorandum<sup>99</sup> submitted by Lieutenant General C. J. Chow, Director of the Commission on Aeronautical Affairs, Chungking, to General George C. Marshall, concerning the training of 800 Chinese cadets in the United States.

In view of the fact that the matter is of importance to the cause of China, the Ambassador will appreciate it if the Secretary would give favorable consideration to the proposal and cause it to be transmitted to the appropriate authorities of the United States Government.

WASHINGTON, April 3, 1946.

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<sup>97</sup> *Ante*, p. 727.

<sup>98</sup> See telegrams Nos. 1973, November 14, 1945, 8 a. m., from the Chargé in China, and 1873, November 19, 1945, to the Chargé in China. *Foreign Relations*, 1945, vol. VII, pp. 629 and 638, respectively.

<sup>99</sup> February 23, not printed.

811.22793/4-346

*The Secretary of State to the Chinese Ambassador (Wei)*

The Secretary of State presents his compliments to His Excellency the Ambassador of China and has the honor to acknowledge the receipt of his communication of April 3, 1946, in regard to the proposed training of eight hundred additional Chinese air cadets in the United States.

The Department's records indicate that on February 23, 1946, the Chinese Air Force approached the American authorities in China in regard to the training of these additional Chinese air cadets but that after due consideration it was decided that the project was not feasible under existing legislation. It is understood that the Chinese Air Force has already been apprised of the War Department's decision in regard to this matter.

WASHINGTON, April 18, 1946.

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811.22793/5-3146

*The Acting Secretary of War (Royall) to the Secretary of State*

WASHINGTON, 31 May 1946.

DEAR MR. SECRETARY: Reference is made to your letter LP dated 12 February 1946 in which you authorized the War Department to continue the Chinese Air Forces Training Program for approximately 2300 students already in the United States and 1280 students still in China for period extending not later than 1 May 1947. The Chinese Government will bear the expense of this continued program under terms of an agreement to be concluded with that government.

In your letter of the 12th, you requested the War Department to provide an estimate of the probable cost of this program in order to enable the State Department to conclude an agreement with the Chinese Government at the earliest possible date. The overall costs for this program were furnished your Department and a detailed cost account was furnished Mr. Charles R. Bennett, Chief of the China Division, Office of the Foreign Liquidation Commissioner.

On the 17th of April 1946, a letter was submitted by Mr. Bennett to Major General Mow Pang-Tsu, Director, Commission on Aeronautical Affairs, requesting that Commission to file with the State Department a cash reimbursement requisition, which involves payment of the estimated cost, namely, \$23,811,000 at the time of submission of the requisition. In a reply, dated 23 April 1946, Major General Mow stated that the details of the estimates would be submitted to their Headquarters in China and that the Commission would contact Mr. Bennett as soon as pertinent instructions are received from China.



It is urged that the negotiations be completed as soon as possible as it will require some time to provide the necessary means of reimbursing War Department appropriations. The end of the present Fiscal Year will soon be upon us, and the War Department must be reimbursed for funds expended subsequent to 30 November 1945 through 30 June 1946 before 30 June 1946. In order that this program can be continued past 30 June 1946, advances must be made to the War Department on or before 1 July 1946.

The War Department will be glad to assist in any way in the negotiations with the Chinese Government.

Sincerely yours,

KENNETH ROYALL

893.796/6-1246

*The Chinese Chargé (Tan) to the Secretary of State*

The Chinese Chargé d'Affaires ad interim presents his compliments to the Secretary of State and has the honor to request the favorable consideration for the continuation of the Chinese Air Force training program.

This training program was originally undertaken as a military lend-lease project and has been continued from December 1, 1945, at the request of the Chinese Government. A proposal has been made to the Chinese Government to discontinue this program unless the Chinese Government submits the cash re-imbursement requisition before June 30, 1946, on which date the present authority for handling the program under lend-lease cash re-imbursement procedure expires.

The Chargé d'Affaires is under instructions from the Minister for Foreign Affairs <sup>1</sup> to inform the Secretary that the Chinese Government desires to continue the program and to assure the Secretary that the Chinese Government will bear all the necessary expenses and is ready to make arrangements for their payment.

In view of the importance of this training program to the Chinese Air Force, the Chargé d'Affaires will be greatly obliged if the Secretary could give favorable consideration to this request and inform the War Department to continue the training of the Chinese Air Force personnel under the said program pending arrangements for the payment of its expenses.

WASHINGTON, June 12, 1946.

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<sup>1</sup> Wang Shih-chieh.

893.24/6-1246

*The Acting Secretary of State to the Chinese Chargé (Tan)*

The Acting Secretary of State presents his compliments to the Chinese Chargé d'Affaires ad interim and acknowledges receipt of his communication of June 12, 1946, in regard to the continuance of the Chinese Air Force training program. The Acting Secretary of State desires to inform the Chinese Chargé d'Affaires ad interim that it is necessary for the continuance of the program that a cash reimbursement requisition be submitted to the Department of State and that payment be made before June 30, 1946 in the amount of \$23,811,000 covering the estimated cost of the program. The program cannot go forward beyond June 30, 1946 unless this is done.

General Mow Pang-tsu, Deputy Chief, Commission on Aeronautical Affairs of the Republic of China, was advised of the necessity for submitting a cash reimbursement requisition with payment of the estimated cost of the program in letters from the Department of State on April 17, June 4, and June 10, 1946.<sup>2</sup>

In the light of our common desire to see the program consummated, it is hoped that the necessary action will be taken at the earliest possible moment to insure the processing of the requisition before June 30, 1946, at which time the expiration of the Lend-Lease Act will prevent the further use of the lend-lease cash reimbursement procedure.

WASHINGTON, June 14, 1946.

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter<sup>3</sup> to General Marshall*

[WASHINGTON,] 20 June 1946.

92049. Please refer to 91445<sup>4</sup> and the many reference cables. With regard to training of air cadets, this program has been under way for some time and negotiations have been involved and protracted. At the present time three major programs have been approved. The Air Program of 24,000,000, a Navy Training Program of 5,000,000 and the Officer Program of 1,250,000. For purely budgetary and administrative reasons, it has been requested that the Chinese pay cash in advance. To date no cash has been received and the working levels of both State and War feel that the programs should be terminated on 30 June unless definite settlement is made prior to that time. It

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<sup>2</sup> None found in Department files.

<sup>3</sup> Successor to Colonel Davis as General Marshall's representative in Washington.

<sup>4</sup> Telegram of June 14, not printed.

is possible that the Chinese are withholding payment in hopes that this training can be accomplished under the legislation now before Congress on a basis other than cash payment. If you have not already been approached by T. V. Soong<sup>5</sup> you may expect a visit from him on this matter. I believe a compromise could be arrived at here which would require cash payment for the training already given, the establishment of a revolving fund on the order of \$4,000,000 for quarterly operations and payment in cash by quarter for subsequent training. This proposal is being considered on the lower levels. Your views on the overall problem or support of the compromise proposal would be of great assistance.

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Colonel Marshall S. Carter*

NANKING, 24 June 1946.

969. I received following letter from General Yu Ta Wei<sup>6</sup> today.

"Dear General Marshall, I am instructed by Dr. T. V. Soong to approach you for a solution of the following issues.

Complying with the Generalissimo's request, arrangements have been made by President Truman to continue CAF training program after 30 November 1945 in USA on the understanding that the Chinese Government will expect to bear the expense of this program under agreement to be concluded. Message recently received from Major General Mow Pang-tsu of CAF in Washington states that this program will be suspended on 30 June 1946 unless payment be made by the Chinese Government before the same date.

Since the Chinese Government attaches great importance to this training program, Dr. Soong suggests that you recommend to the US State Department not to stop it pending negotiation for settlement.

Dr. Soong also suggests that all expenses of this program from 30 November 1945 to 30 June 1946 be charged against US Lend-Lease Aid to China and all expenses subsequent to 1 July 1946, now estimated at US \$7,575,727, be paid by the Chinese Government out of the US dollars account accrued to the Chinese Government through the CN<sup>6a</sup> dollars advancement to US Army."

My answer to Dr. Soong with carbon copy to Yu Ta-wei as of today was as follows:

"Dear Dr. Soong: General Yu Ta-wei handed me a letter dated 24 June 1946 concerning extension of CAF training program in the United States.

At your suggestion I have asked the State Department temporarily not to terminate the training program on 30 June 1946, pending final

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<sup>5</sup> President of the Chinese Executive Yuan.

<sup>6</sup> Chinese Minister of Communications.

<sup>6a</sup> Chinese National.



settlement of terms. At the same time I have asked for a clarification of the terms of financial settlement, both for the 1 December 1945 to 30 June 1946 period and for the 1st December 1945 to 30 June 1946 period and for the post 30 June 1946 period."

Please take following action:

1. Request War and State for temporary continuation of CAF program beyond June 30 pending conclusion of agreement as to payment therefor.

2. Inquire whether agreement referred to in para 2 of Yu's letter contemplated that costs for December 1945 to June 30, 1946 be under reimbursable or non-reimbursable Lend-Lease.

3. Inquire whether following terms which I recommend for post June 30 costs of training program are acceptable to War and State.

"China to make a firm commitment to pay the cost of post 30 June 1946 CAF training program from its US dollar assets, if the US dollar settlement of the United States debt to China for Yuan advances to the US Forces in China is already allocated or to be allocated for the purchase of surplus property and for other Chinese Government obligations to the United States."

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811.22793/6-2546

*Colonel Marshall S. Carter to the Secretary of State*

WASHINGTON, 25 June 1946.

DEAR MR. SECRETARY: Approximately 20 November 1945, Generalissimo Chiang Kai-shek requested the President of the United States to continue the Chinese air force training program in the United States until post-war training arrangements and methods of settlement were completed. The Generalissimo stated that his government expected to bear the expenses of this program under agreement to be concluded. The President replied that arrangements had already been made to continue the training of the Chinese air force personnel substantially as outlined in the Generalissimo's message.

Since the exchange of messages noted above, the War Department and the Department of State have conducted negotiations with the Chinese Government looking toward a means of settlement of the cost of the program, which is estimated to be on the order of \$24,000,000. The United States has asked the Government of China to pay this amount in advance prior to 1 July 1946.

Dr. T. V. Soong, President of the Executive Yuan, has approached General Marshall with an alternative proposal for payment. This proposal is now being studied by the War, State and Treasury Departments, but it is doubtful that a solution can be reached prior to 30 June.

General Marshall has requested (969, CM-IN-5135, 24 June) that the Chinese air force program be continued beyond June 30 pending

conclusion of an agreement as to method of payment therefor. A cessation of such training at this time would seriously affect the development of the Chinese air force and the negotiations for amalgamation of the armies that General Marshall is currently engaged in.

It is requested that the Department of State take the necessary action to continue the Chinese air force training program beyond 30 June in order that the program not be disrupted during the negotiation of terms of settlement.

A similar letter has been dispatched to the Secretary of War.

Sincerely,

MARSHALL S. CARTER

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter to General Marshall*

[WASHINGTON,] 26 June 1946.

92655. Your 969<sup>7</sup> and my 92049<sup>8</sup> refers. In response to your directed actions, the following is an interim report:

1. War and State have been formally requested to continue program beyond 30 June pending conclusion of agreement as to payment therefor. In this connection a Presidential Directive of 20 November in reply to a memorandum from the Generalissimo authorizes continuation of the program, and the formal request was made to insure such action, but the lack of appropriated funds after 30 June makes mandatory a cash payment without delay.

2. Approximately 20 November the Generalissimo in a message to the President requested continuation of the program by the following partial quote:

"It is urgently requested that until post-war training arrangements and methods of settlement are completed between China and the United States that the completion of this training program in the United States and the transportation required be authorized. My Government will expect to bear the expense of this program under agreement to be concluded. Signed Chiang Kai-Shek."

The President replied in pertinent part as follows:

"I have made inquiry of my Chiefs of Staff and am informed that arrangements have already been made to continue the training of the Chinese Air Force personnel substantially as outlined in subject message. Signed H. S. Truman."

Based on the foregoing the State and War Departments have made continual representation to the local Chinese Representatives to conclude an agreement for method of payment of this program. The

<sup>7</sup> Telegram of June 24, p. 774.

<sup>8</sup> Telegram of June 20, p. 773.

program has been continuing under the terms of the Lend-Lease Act<sup>9</sup> and the justification for utilizing this Act for a training program for a peacetime Air Force is considered open to criticism unless it is done on a reimbursable basis, as proposed by the Generalissimo. Accordingly, the Secretary of State approved the program subject to payment upon presentation of bill therefor. In response to your query it is definitely the understanding here that costs for December 1945 to June 30, 1946 are reimbursable Lend-Lease.

3. Presented to the Chinese Supply Commission yesterday was an additional clause to the 3 C agreement discussed in my 92248 and your 980.<sup>10</sup> This additional clause will authorize, subject to payment upon presentation of bills, the Air, Naval, Ground and Medical Training Programs up to December 31, 1947, in an amount not exceeding \$15,000,000. In addition it provides for payment upon presentation of bills therefor for the costs incurred by the United States in connection with the Air Training Program between November 30, 1945 and July 1, 1946. This is in conformity with the reasoning expressed in my preceding paragraph.

The terms you proposed in paragraph 3 of 969 are still being considered by War, State and Treasury. War Department appropriation bill for fiscal year 1947 contains neither funds nor legal authority for continuation, and the necessity for obligating money for this program well in advance of delivery of the items, makes the War Department insistent that the funds be made available at the earliest practicable date, and prior to 30 June. Treasury Department feels that Yuan indebtedness can be offset against deliveries of surplus without jeopardizing final settlement, but the use of part of this indebtedness for other purposes would require change of policy already established by National Advisory Council. State Department is prepared to support any reasonable method of payment but feels that the term "firm commitment to pay" is becoming somewhat worn out, and sees no reason why dollar assets should not be made available now for this purpose, particularly in view of the relatively small amount and the Generalissimo's already expressed commitment. These are all informal views, not policy decisions.

The problem from War Department views is lack of legal authority and no appropriated funds to expend for this purpose. State and Treasury feel that as a matter of principle, based on background given in this message, the Chinese should make good this obligation in full without further attempts to negotiate. Dr. Wang<sup>11</sup> has no doubt already cabled T. V. Soong in regard my paragraph 3 above, but time is rapidly running out.

<sup>9</sup> Approved March 11, 1941; 55 Stat. 31.

<sup>10</sup> Telegrams of June 23 and 25, neither printed.

<sup>11</sup> S. C. Wang, Chairman of the Chinese Supply Commission in the United States.



To summarize, your action 1 and 2 are answered in the foregoing comments. With regard to your action 3, I respectfully recommend reconsideration of your proposal, and firm representations to T. V. Soong to deposit the cash required for continuation of Air Training Program beyond 30 June, at least in an initial amount of \$8,000,000 pending further determination of costs. I am still looking for other funds that can be temporarily used but so far no luck.

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter to General Marshall*

[WASHINGTON,] 27 June 1946.

92816. My 92655<sup>12</sup> refers. The Secretary of War, the Acting Secretary of State and the Assistant Director of the Budget have personally considered every possible means of extending the Chinese Air Force training program beyond 30 June, by utilizing US funds, extension of credit, and transfer of obligations. There is no legal manner in which the program can be continued unless the Chinese make available the required cash of \$8,076,866, and a substantial part of it prior to 30 June. They have even considered utilizing emergency funds which have not yet been appropriated; but since these funds cannot be reimbursed from other sources, drawing on them in the face of available Chinese dollar assets is unacceptable. The War Department directive to stop all training on 30 June has already been prepared, and in the absence of cash will have to be issued. This is in no way a squeeze play on the part of the United States. It [is] purely and simply a fact that any other action is illegal.

After discussing this matter with Dr. Wang, and Chinese Embassy, I recommend that you suggest to T. V. Soong that any urgent instructions for them on this matter be duplicated through our channels because of extreme shortage of time.

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Lieutenant General Alvan C. Gillem, Jr.*<sup>13</sup>

NANKING, 28 June 1946.

1006. General Gillem please pass urgently the following letter from me to Dr. T. V. Soong who is visiting in Shanghai.

"Dear Dr. Soong: This afternoon, I was informed by Washington that my Government has considered every possible means of extend-

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<sup>12</sup> *Supra.*

<sup>13</sup> Commanding General, U. S. Army Forces in China. This telegram was forwarded to Colonel Carter in Washington.

ing the Chinese Air Force program by utilizing United States funds, extensions of credit, or transfer of obligations. I happen to know that the Secretary of War, the Acting Secretary of State, and the Assistant Director of Budget have given this matter their personal attention.

Unfortunately, there is no legal manner in which the program can be continued unless the Chinese Government makes available the required cash amounting to \$8,076,866. A substantial part of this must be made available before 30 June.

The crux of the problem is that there is no legal authority and no appropriated funds to expend for this purpose. The War Department feels it has no recourse but to issue a directive suspending all CAF training on 30 June unless a substantial cash payment is made and a directive to this effect has already been prepared. This is in no way intended to work undue hardship on the Chinese Government. It is simply the fact that any other action is illegal. Because of the extreme shortage of time, I will be glad to transmit any urgent instructions for the Chinese Embassy in Washington over United States channels."

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811.22793/6-2946 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

NANKING, June 29, 1946—11 p. m.

[Received June 29—10:30 a. m.]

1068. This evening Vice Minister Foreign Affairs requested me to inform State Department that Chinese Government has instructed Central Bank to make payment as requested in relation to program of training Chinese aviators.

Matter has been discussed by T. V. Soong and General Marshall who has reported to War Department.

SMYTH

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Colonel Marshall S. Carter*

NANKING, 29 June 1946.

1012. Please deliver the following message to the Chinese Embassy in Washington from Dr. T. V. Soong :

"Have instructed Bank of China, New York to pay the War Department, or any agency the Secretary of War should designate, the sum of \$4,000,000.00 for our Air Force training program. Please contact the War Department and Mr. T. M. Hsi, Bank of China, New York immediately."

Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Colonel Marshall S. Carter*

NANKING, 29 June 1946.

1013. Doctor T. V. Soong has answered by letter reference my 1006<sup>14</sup> and your 92816.<sup>15</sup> He stated that it was his intention that any cash required for the Chinese Air Force program in the United States should come out of the proceeds of the U. S. Army obligations in Chinese National currency, negotiations for which are about to begin in Washington. In connection with his message passed to you in 1012, Doctor Soong wished it understood that when the settlement of the U. S. Army obligation is effected, the 4,000,000 dollars thus advanced will be reimbursed from the proceeds thereof. May 1014<sup>16</sup> outlines my answer to Doctor Soong in this regard. It would appear to be a matter which will have to be watched since the Yuan debt may eventually be over allocated.

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Lieutenant General Alvan C. Gillem, Jr.*

NANKING, 29 June 1946.

1014. Please deliver the following message from me to Doctor Soong.

My Dear Dr. Soong: Your letter of June 29 was received and your message has already been cabled to the Chinese Embassy according to your request.

However, with regard to the second paragraph of your letter, I wish to point out that there would be no objection to your being reimbursed from the Yuan debt settlement if debts accruing from such settlement have not already been allocated or are to be allocated to offset cash reimbursable Lend Lease, Chinese purchase of surplus property or some other expenditure.

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811.22793/6-2746

*The Under Secretary of State (Acheson) to the Secretary of War (Patterson)*

WASHINGTON, July 18, 1946.

MY DEAR MR. SECRETARY: The receipt is acknowledged of your letter of June 27, 1946,<sup>17</sup> regarding the necessity of providing the War Department with funds to continue the Chinese Air Force Training Program after June 30, 1946.

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<sup>14</sup> Telegram of June 28, p. 778.

<sup>15</sup> Telegram of June 27, p. 778.

<sup>16</sup> *Infra.*

<sup>17</sup> Not printed.



Reference is made in this connection to my letter of July 10, 1946,<sup>18</sup> in which it was stated that on June 29, 1946, a check for \$4,000,000 was delivered by representatives of the Chinese Government to the War Department as an initial payment in support of the Air Force Training Program after June 30, 1946. The Department of State will continue to make every effort to obtain from the Chinese Government the balance due so that there will be no interruption in the program.

Sincerely yours,

DEAN ACHESON

893.248/7-2346

*Memorandum by the Chief of the Division of Chinese Affairs  
(Ringwalt)*

[WASHINGTON,] July 23, 1946.

Mr. Hamilton<sup>19</sup> telephoned this morning in regard to negotiations now in progress between FLC and General Mow, of the Chinese Commission on Aeronautical Affairs, for the purchase, in connection with the Chinese Air Force Training Program, of the following planes:

<i>Type</i>	<i>Amount</i>
PT-17	211
BT-13	137
AT-6	105
AT-11	20

According to Mr. Hamilton, all of these planes are surplus to the needs of the American Government and are located in this country. It appears that tentative conversations have been going on for some time and that the Chinese are now talking in terms of a million dollars for the planes plus an additional ten million dollars to defray the cost of reconditioning and packing for shipment to China. Mr. Hamilton indicated that the Chinese were hoping to obtain credit for the purchase of these planes.

I informed Mr. Hamilton that we would not wish to encourage the sale of this property to the Chinese Government at the present time. I said that we had a great deal of difficulty in collecting even a down-payment on the cost of the Air Force Training Program and that until the balance due had been received from the Chinese Government, we would probably not wish to consider selling any basic trainers such as the PT's and BT's. I said that it was my understanding that the AT-6's and AT-11's being susceptible of military

<sup>18</sup> *Ante*, p. 751.

<sup>19</sup> Minard Hamilton, Chief of the Disposal Branch of the Office of Foreign Liquidation Commission.

use, we would prefer to hold up the sale of these planes until the political situation in China clarified. I added that in any case we certainly would not be interested at this time in offering China credit facilities in connection with the transfer of these planes to the Chinese Government.

Mr. Hamilton promised to keep me informed of developments.

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter to General Marshall*

[WASHINGTON,] 6 August 1946.

96621. 129 Tactical Aircraft remain to be turned over through surplus property channels to complete the aircraft portion of the 8-1/3 Group Chinese Air Force Program. These 129 Tactical Aircraft include the following:

52 P-51,  
40 P-47,  
37 B-24.

FLC has always operated under a policy which forbids the sale of tactical aircraft to foreign Governments or foreign Nationals. The 8-1/3 Group Program was treated as an exception to this policy, in view of the State-War-FLC decision that equipment for the program would be provided either through Lend-Lease or surplus property channels. In view of the lapse of time and the somewhat changed conditions since the 8-1/3 Group Program was approved, as well as the general sales policy set forth in 1226,<sup>20</sup> should the aircraft portion of the 8-1/3 Group Program be completed at this time by turnover of the remaining 129 Tactical Aircraft?

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Colonel Marshall S. Carter*

[NANKING,] 11 August 1946.

1293. Delivery should not be completed reference 96621<sup>21</sup> at this time, on the 8-1/3 Air Group Program through surplus property channels. Just how long delivery should be delayed I am not prepared to state at this time.

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<sup>20</sup> Telegram of August 2, not printed.

<sup>21</sup> *Supra*.

893.24/8-1346

*The Acting Secretary of State to the Foreign Liquidation  
Commissioner (McCabe)*

WASHINGTON, August 13, 1946.

MY DEAR MR. McCABE: It is my understanding that the equipment for the Chinese Air Force 8-1/3 Group Program has not yet been fully turned over to the Chinese Government.

Until further notice, it is desired that the turnover of all types of equipment, including aircraft, under this program be suspended. Stockpiling of remaining requirements may continue in coordination with the War Department.

The War Department has been informed and is prepared to coordinate its activities with your office.

Sincerely yours,

DEAN ACHESON

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Marshall Mission Files, Lot 54-D270: Telegram

*Colonel Marshall S. Carter to Colonel J. Hart Caughey*<sup>22</sup>

[WASHINGTON,] 28 August 1946.

98799. Chinese here are becoming aware of the temporary suspension of the turnover of aircraft and equipment under the 8-1/3 Group Program and are pressing on a CAF-AAF level for official confirmation of the suspension. For your information, dissemination to operating agencies was based entirely on the decision to suspend turnover having been made by Acting Secretary of State.

Has General Marshall indicated to the Chinese there that the program has been suspended? If so, would appreciate knowing the substance of his remarks so that consistent statements can be made to Chinese officials here.

In the event that General Marshall has not informed the Chinese on this matter, I propose that Chinese here be told that program has been temporarily suspended pending resolution of related issues now under negotiation in Nanking and that Chinese Government will be informed when time is appropriate to resume implementation of the program. Please clear this suggestion with General Marshall and advise accordingly.

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<sup>22</sup> Executive Officer on General Marshall's staff at Nanking.



Marshall Mission Files, Lot 54-D270: Telegram

*Colonel J. Hart Caughey to Colonel Marshall S. Carter*

NANKING, 30 August 1946.

1419. Because a CAF liaison officer, recently returned to Shanghai from Manila, had knowledge of the temporary suspension delaying turnover of aircraft and equipment under the 8 and 1½ group program Reurad 98799,<sup>23</sup> General McConnell<sup>24</sup> passed the information to General Chou,<sup>25</sup> Commander in Chief of the Chinese Air Force, probably yesterday afternoon.

General Marshall has no objection to the proposed action in your last paragraph of reference message.

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893.24/9-1746

*The Acting Secretary of State to the Chinese Ambassador (Koo)*

WASHINGTON, September 17, 1946.

EXCELLENCY: I have the honor to refer to the Agreement between the Government of the United States of America and the Government of the Republic of China under Section 3 (c) of the Lend-Lease Act which was signed on June 28, 1946.<sup>26</sup> This Agreement provides in Article II (c) for the continuation after June 30, 1946 of the Chinese Air Force training program, and in Article III for the payment therefor by the Chinese Government upon presentation of bills.

I have been advised by the War Department that the Chinese Air Force training program cannot be continued beyond the next few weeks without the receipt of additional funds to cover the anticipated future costs of the program.

The check for \$4,000,000 which was turned over by your Government to the War Department at the end of June, 1946 in partial payment of the anticipated costs of the training program after June 30, 1946 will have been obligated by the end of this month. Consequently, if the program is to be continued without interruption, it will be necessary for the War Department to receive an additional amount of \$4,750,000 to cover the estimated future costs of the program.

It would be appreciated if payment of the sum of \$4,750,000 could now be made in the form of a check drawn to the order of the "Treasurer of the United States", which should then be forwarded to this Department for appropriate disposition.

Accept [etc.]

WILLIAM L. CLAYTON

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<sup>23</sup> *Supra.*

<sup>24</sup> Brig. Gen. John P. McConnell, Commanding General, Air Division Headquarters of the Nanking Headquarters Command.

<sup>25</sup> Air Lt. Gen. Chou Chih-jou.

<sup>26</sup> Department of State T.I.A.S. No. 1746, or 61 Stat. (pt. 4) 3895.

893.24/12-3046

*The British Embassy to the Department of State*<sup>27</sup>

His Majesty's Secretary of State for Foreign Affairs recently discussed with Mr. Byrnes in Paris the question of the sale of arms and ammunition to China and agreed with him that while the present conflict between the Kuomintang and the Chinese Communists continues no export license for arms and ammunition is to be granted.

The manufacturing rights for jet aircraft engines have however been sold recently to the Chinese Government but His Majesty's Government consider that, inasmuch as it is likely to be at least two years before the Chinese can, in fact, produce these engines, the grant of the manufacturing license will not affect present hostilities. The Chinese Government have now approached His Majesty's Minister of Supply and Aircraft Production with a request for Gloster air frames in which the jet engines will eventually be installed. If this request were acceded to the air frames could presumably be used for military purposes in China in the immediate future and His Majesty's Government do not therefore wish to authorise their sale without prior consultation with the United States Authorities.

This Embassy is accordingly instructed to discuss the matter with the State Department and to enquire whether any objection is seen to the sale of such air frames.

WASHINGTON, 30 December 1946.

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893.24/12-3046

*The Department of State to the British Embassy*

Reference is made to the British Embassy's *aide-mémoire* of December 30, 1946, in which inquiry is made whether the United States Government perceives objection to the sale to China of Gloster air frames for certain jet engines of British design, the manufacturing rights for which have recently been sold to the Chinese Government.

Since August of last year, this Government has consistently withheld export licenses covering munitions of war destined for China. As the prospect for a peaceful settlement of the conflict between the two major political parties in China has grown dimmer, this Government has broadened the scope of items under the arms embargo to China to cover such things as presses used in the manufacture of cartridge shells and spare parts for airplanes of a military type. It would therefore be consistent with the present United States policy for China to withhold an export license covering air frames such as

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<sup>27</sup> Handed to the Deputy Director of the Office of Far Eastern Affairs (Penfield) by the British Counselor of Embassy (Graves) on December 31.

those described in the British Embassy's *aide-mémoire* under acknowledgment.

This Government greatly appreciates this further evidence of the readiness of the British authorities to cooperate fully in matters of mutual concern.

WASHINGTON, January 6, 1947.

### III. TRANSFER OF SHIPS TO CHINA; SUSPENSION OF PROGRAM

Marshall Mission Files, Lot 54-D270 : Telegram

*Lieutenant General Albert C. Wedemeyer*<sup>28</sup> to the Chief of Staff  
(Eisenhower)

SHANGHAI, 21 January 1946.

20771. Subject is 25 Liberty ships for support of Chinese Armies read 92330.<sup>29</sup> Plan adopted after conference with SCAP<sup>30</sup> representatives embodies staff agency similar to SCAJap<sup>31</sup> under control of ComGen, China working through the Chinese National Shipping Administration to operate these 6 ships and other ships subsequently released. Actual operation will be by acceptable Chinese shipping companies such as the China Merchants Steam Navigation Company, under rigid supervision of ComGen China. Since it is not permissible to operate these vessels under a Chinese flag, request authority to operate under a special flag to permit more latitude in use than would be possible under American flag and regulations. Flag specifications will follow soonest. General Marshall<sup>32</sup> concurs.

Marshall Mission Files, Lot 54-D270 : Telegram

*The War Department to Lieutenant General Albert C. Wedemeyer*

[WASHINGTON,] 21 January 1946.

93933. Plan for operation of 25 Liberty ships as given in your 20771<sup>33</sup> is approved. Submit flag specifications to permit coordination with Navy here. Details on organization and duties of Staff Agency together with other information on progress made in implementing your plan would be most helpful.

<sup>28</sup> Commanding General, U. S. Forces, China Theater.

<sup>29</sup> Telegram of January 10, not printed.

<sup>30</sup> Supreme Commander, Allied Powers.

<sup>31</sup> Shipping Control Administrator, Japan.

<sup>32</sup> General of the Army George C. Marshall, Special Representative of President Truman in China.

<sup>33</sup> *Supra*.



Marshall Mission Files, Lot 54-D270 : Telegram

*Lieutenant General Albert C. Wedemeyer to the Chief of Staff  
(Eisenhower)*

SHANGHAI, 29 January 1946.

21627. Subject is operation of Liberty ships by ComGenChina. Under plan approved at Tokyo conference 15 Jan 46 and War Department in 92330<sup>34</sup> and 93933,<sup>35</sup> China Theater will control operation of 25 Liberty ships. With respect to operation of these vessels it is desired that an answer be given to the following question: Under the directive am I authorized to approve the shipment of anything, materials, supplies, or personnel which Chinese may ask to any point in China? I know that I must have General Marshall's approval prior to committing the United States.

The above question is based upon fact that the Generalissimo<sup>36</sup> and members of the Chinese Government, including T. V. Soong,<sup>37</sup> are known to be keenly disappointed that the ships have not been placed completely under Chinese control. It is certain that the National Government desires unrestricted control of the vessels in order that they could employ them without reference to the restrictions imposed by China Theater directives.

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893.85/1-3046 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, January 30, 1946—8 p. m.

185. For General Marshall personal from Colonel Davis.<sup>38</sup> WSA<sup>39</sup> has been providing six Liberty ships for shuttle operation between Chingwangtao and Shanghai and Tsingtao. These ships are primarily engaged in the transportation of essential coal. The ships are manned by American crews and chartered to the Chinese Government on a per diem reimbursement basis.

Chinese Government, through Dr. Wang, Chairman, Chinese Supply Commission, now requests WSA to provide two additional Liberty ships in this service on same basis for transportation of essential Government cargo such as flour, cereal, salt, cloth, vegetable oil, etc. If you approve, WSA proposes to make the two additional Liberties

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<sup>34</sup> Telegram of January 10, not printed.

<sup>35</sup> *Supra.*

<sup>36</sup> President Chiang Kai-shek.

<sup>37</sup> President of the Chinese Legislative Yuan.

<sup>38</sup> Col. James C. Davis, General Marshall's representative in Washington.

<sup>39</sup> War Shipping Administration.

available if WSA representative Shanghai concurs in essentiality Chinese need.

As this requirement is stated by the Chinese to be essential to maintenance of basic economy and apparently does not conflict with your mission, recommend you approve proposal. [Davis.]

BYRNES

Marshall Mission Files, Lot 54-D270 : Telegram

*The War Department to Lieutenant General Albert C. Wedemeyer*

[WASHINGTON,] 30 January 1946.

95208. For answer to your 21627 <sup>40</sup> see 88411 <sup>41</sup> which required that ships were to be allocated to one of the US Military Services in order to assist the Chinese National Government in:

*a.* The logistical support of Chinese troops in or destined for Manchuria, and

*b.* Repatriation of Japanese from the China Theater.

2. The arrangements for transferring 25 Liberty type ships to the War Department on a bareboat basis for operation under control of ComGenChina were made solely to enable ComGenChina to carry out above cited directive. So long as these ships remain under charter to the War Department, blanket authority for their use to meet any and all requests to the Chinese Government can not be given. If you have additional requirements which these ships can satisfy without jeopardizing their availability for above purposes and which are in fulfillment of China Theater Mission, request you submit your proposal to War Department for consideration.

893.85/2-446 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, February 4, 1946—9 a. m.

[Received 2:46 p. m.]

211. From General Marshall for Colonel Davis. [Apparent omission] two additional Liberties approved if WSA representative Shanghai (reference your telegram 185, January 30) concurs in essentiality Chinese need. [Marshall.]

SMYTH

<sup>40</sup> Telegram of January 29, p. 787.

<sup>41</sup> Telegram of December 13, 1945, not printed.

Marshall Mission Files, Lot 54-D270 : Telegram

*Lieutenant General Albert C. Wedemeyer to the Chief of Staff  
(Eisenhower)*

SHANGHAI, 7 February 1946.

22520. Operation of Liberty ships radio 95208 <sup>42</sup> is subj. Plans for operation of these ships provide that the Chinese Government will bear all operating and maintenance expenses. Operational control of these vessels will be accomplished by establishing the following proposed priorities:

a. First priority-transportation of and logistical support of certain Chinese Armies in furtherance of the mission of China Theater in assisting the Chinese National Government in the disarming and/or repatriation of Japanese, Korea, and Formosan military and/or civilian personnel.

b. Second priority-transportation of cargo or personnel in direct support of Chinese national economy, ie, backloading.

c. Third priority-transportation of such other necessary cargo or personnel as are within China Theater Mission.

2. To insure that these priorities are strictly adhered to, all requests for transportation via Liberty ships under my control will be cleared through my G 4. Approved requests for transportation will then be forwarded to the Director of the Staff Agency (Theater Transportation Officer) who will issue the necessary directives to the Chinese National Shipping Administration.

3. It is desired to point out that the employment of these ships in repatriation service was not contemplated in SCAP plan expressed in 55717 <sup>43</sup> and in 88411, <sup>44</sup> but that they will be used entirely for logistical support of Chinese Armies.

4. Since movement of Chinese Armies has not proceeded as planned in 55717 and an availability of Navy LSTs for completion of all movements is doubtful, the assistance of these Liberty ships will be required to complete movement schedules, and will be kept fully employed under our plan without engaging in repatriation of Japanese.

5. In view of the concern of the Generalissimo and T.V. Soong in not securing complete control of these ships Reourad 21627, <sup>45</sup> and in order to obtain Chinese approval of my plan, I consider transportation under the proposed second and third priority is essential to permit the Chinese Government to realize some benefit from the operation of these ships when they are not required in first priority movements. I desire

<sup>42</sup> January 30, p. 788.

<sup>43</sup> Not found in Department files.

<sup>44</sup> Telegram of December 13, 1945, not printed.

<sup>45</sup> Telegram of January 29, p. 787.



to reiterate that no movements will be made to North China without prior approval of General Marshall, refer China Theater directive from War Department and my 21627.

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Marshall Mission Files, Lot 54-D270

*President Chiang Kai-shek to President Truman*<sup>46</sup>

MESSAGE FROM THE GENERALISSIMO TO THE PRESIDENT DATED  
17 FEB. 1946

China is urgently in need of shipping and negotiations were initiated with a view to obtaining complete ownership and immediate possession of ships in the Liberty category. My American chief, General Wedemeyer, informs me that six Liberty ships would be made immediately available to be operated in China waters with Chinese crews; however, the United States will retain ownership and the ships will operate under the control of General Wedemeyer in his capacity as Commanding General China Theater. I would appreciate reconsideration, Mr. President, of your government's decision to retain ownership of these vessels; and request that the Chinese Government be permitted to obtain complete ownership of the six Liberty ships in question either through lend-lease procedure or on a cash basis.

Under General Wedemeyer's existing directive from the United States Joint Chiefs of Staff, the employment of these ships, if retained under his control, would be greatly restricted. I would appreciate very much if my government would be permitted to purchase outright the six Liberties above referred to and thus be enabled to use these ships in consonance with our projected economy program and for related purposes. I regret troubling you personally; however, this matter is of great importance and I ask your indulgence as well as your assistance in the premises.

(17 FEBRUARY 1946)

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Marshall Mission Files, Lot 54-D270 : Telegram

*President Truman to General Marshall*

[WASHINGTON,] 21 February 1946.

407. The following message in reply to a request from Chiang Kai-shek for the transfer of six liberty ships to Chinese Government ownership was sent this date:

"Replying to your message of February 17 requesting that six liberty ships be transferred to the complete ownership of the Chinese

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<sup>46</sup> Transmitted to the War Department by General Wedemeyer.

Government, you are informed that at the present time I have no legal authority to make such a transfer.

There is now pending before the Congress legislation which should become a law within a few days providing authority for government owned ships to be sold to foreign governments.

Upon the final approval of this legislation steps will immediately be taken to accomplish without avoidable delay the sale of six liberty ships to the Chinese Government."

Please let me have by telegraph your comment and recommendation on the request made by Chiang.

TRUMAN

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to President Truman*

CHUNGKING, 23 February 1946.

234. Knew nothing of Generalissimo's request of 17 February 1946 (Your 407 refers <sup>47</sup>). I did know however Government was keenly disappointed, at one point in the negotiations, that ships were not turned over outright. Wedemeyer so informed the Government upon receipt of 92330.<sup>48</sup> Reference your reply to the Generalissimo, I recommend this matter be taken up on urgent basis by War Department with the Chinese through Wedemeyer, after passage of legislation. Colonel Davis, my representative in State Department, is familiar with all details and can lend valuable assistance to procedure.

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893.85/2-2646 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, February 26, 1946—6 p. m.

345. For General Marshall from Colonel Davis. The following is for your information: Informal advice indicates no direct reply will be made to your radio 234, dated 23 February. Enabling legislation now pending in Congress, passage of which is necessary prerequisite to sale of six Liberties to Chinese, provides that authority to make sale will rest with Maritime Commission, not with War Department. Owning agency must make vessels to be sold available to Maritime Commission before Maritime Commission can make disposition. Therefore, procedure for sale of these six Liberties will include (a) return of ships by War Department to WSA, (b) declaration of ships as available for sale by War Shipping Administration, and (c) sale on

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<sup>47</sup> *Supra.*

<sup>48</sup> Telegram of January 10, not printed.

terms provided in the Ships Sales Act <sup>49</sup> by the Maritime Commission.

War Department has authorized Wedemeyer to return the six Liberties to WSA at any time such return may be necessary to consummate sale. Believe this constitutes only War Department action necessary to expedite transaction. Your office here is following matter with Maritime Commission. [Davis.]

BYRNES

Marshall Mission Files, Lot 54-D270: Telegram

*Lieutenant General Albert C. Wedemeyer to the Chief of Staff*  
(Eisenhower)

SHANGHAI, 1 March 1946.

24584. Subject operation of Chinese manned Liberty ships by ComGen China. Our studies indicate maximum of 10 Liberty ships will be required to support Chinese armies in Manchuria, therefore our requirements Liberty ships under original plan is now reduced from 25 to 10. General Marshall concurs in above and authorizes immediate negotiations with the Chinese on additional four vessels.

Reurad 90984 <sup>50</sup> request removal Top Secret classification these four vessels. Reourad 20664 <sup>51</sup> request WSA Washington instruct their Shanghai representative to turn over these four vessels to War Department.

Marshall Mission Files, Lot 54-D270: Telegram

*General Marshall to Lieutenant General Alvan C. Gillem, Jr.*<sup>52</sup>

CHUNGKING, 25 April 1946.

567. Pl[ea]s[e] give me up to date statement on US shipping being used for water movement Chinese forces northward including phasing out of these ships due to redeployment and also your estimate as to capability of any Chinese Agency taking over after redeployment how many LSTs will be available in period June to August inclusive.

New subject: While I was in Washington the Navy Dept authorized the retention by CinCPac <sup>53</sup> of Navy crew specialists, approximately 2,000, would you pls find out from Admiral Cooke <sup>54</sup> what the status of this is in China.

<sup>49</sup> Proposed legislation subsequently enacted; approved March 8, 1946, 60 Stat. 41.

<sup>50</sup> Telegram of December 31, 1945, not printed.

<sup>51</sup> Telegram of January 19, not printed.

<sup>52</sup> Acting Commanding General, U. S. Forces, China Theater, during the absence of General Wedemeyer.

<sup>53</sup> Commander in Chief, Pacific.

<sup>54</sup> Vice Adm. Charles M. Cooke, Jr., Commander, U. S. 7th Fleet.



New subject: Pls give me summary of repatriations shipping which might possibly be used for further Chinese Troop movements, together with your estimated list of dates of availability. Also give me state of shipment of supplies, combat, food and other to Manchuria and prospective shipments or shipping possibilities over next 6 months.

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Marshall Mission Files, Lot 54-D270: Telegram

*The Commander of the Seventh Fleet (Cooke) to General Marshall*

25 APRIL 1946.

250914. Ur 567<sup>55</sup> has been referred to me by ComGen China for reply concerning amphibious shipping under my operational control.

1. A total of 74 LST are now attached to 7th Flt. Status of LST shipping this date is approximately as follows. 40 lifting 60th and 39th Chinese Armies. 8 lifting UNRRA<sup>56</sup> supplies up Yangtze River. 11 being demilitarized and decommissioned for turnover UNRRA. 9 under preparation for turnover Chinese Navy. 2 in support 24th Army Corps at Jinsen. 4 under overhaul.

2. Demobilization plans require 40 LST be sailed Subic Bay or laid up in other disposal ports and 6 additional be sailed Subic for turnover to Philippine Commonwealth pool not later than 1 June. This redeployment will commence about 1 May. Available to me on 20 May as a result of transfers to other agencies and redeployment will be 8 LST. Scheduled for arrival about 1 June from U.S. are 1 LST. for permanent assignment 7th Flt. Total available June through August, 18 LST.

3. It is estimated that Chinese Navy will have 6 LST in operation by 1 June and presumably these vessels will be under my operational control until lift Chinese Armies completed. Remaining 3 LST will be laid up Tsingtao until Chinese ready to take over about 1 September.

4. A total of 34 LSM now attached 7th Flt. Status this date approximately as follows: 8 under preparation turnover Chinese Navy. 7 under preparation turnover UNRRA. 4 in support XXIV Army Corps. 3 in support 3rd Phibcorps. 12 miscellaneous employment. 12 must be sailed Subic Bay or other disposal ports to arrive not later than 1 June. Available to me on 20 May as a result of transfers to other agencies and redeployment will be 7 LSM scheduled for arrival about 1 June from U. S. are 29 LSM; total available June through August 36 LSM. Due personnel shortages and CROSSROADS requirements arrival LST and LSM from U. S. may be delayed beyond 1 June.

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<sup>55</sup> *Supra.*

<sup>56</sup> United Nations Relief and Rehabilitation Administration.

(5) CNO <sup>57</sup> has authorized CinCPac to retain additional 25 LST and 21 LSM in Pacific. Crews for these vessels number approximately 1800 men. Assume these are Navy crew specialists to whom you refer. Of the above number 7th Flt has been allotted 8 LST and 7 LSM. This is the shipping indicated as available to me on 20 May in paras 2 and 4.

(6) All currently employed repatriation shipping now under control of SCAP, operated by SCAJap and manned by Japanese crews. Vessels so employed number 85 LST, 100 Liberty ships and small number of Japanese Navy and Merchant ships. ComGen China is reporting on Chinese manned Liberties.

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Colonel Marshall S. Carter* <sup>58</sup>

NANKING, 10 May 1946.

672. T. V. Soong just reported price proposal on Maritime Commission ships to China :

N 3-S-A 2 cargoes 390,000.  
 C 1-M-AV 1 cargoes, 640,000.  
 EC 2-S-C 1 Liberties, 639,000.  
 VC 2-S-AP 2 Victories, 979,000.

Terms, 25% cash and 75% credit, total cost about 100,000,000. Is there any possibility, first, of securing reduction in price to first and second, in percentage of cash required? Emphasize immense importance to China and related importance to United States of getting limited Merchant Marine established and avoiding heavy drain on present precarious Chinese financial situation. The Chinese Government cannot afford to delay to negotiate and yet I am inclined to think that prices quoted are on a world-wide basis which to my mind is not logical in dealing with the Chinese problem which is very much our problem strategically and diplomatically.

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to the Chief of Staff (Eisenhower)*

NANKING, 6 June 1946.

823. It was suggested by me to Doctor T. V. Soong that the Chinese Government might wish to notify the Chinese Supply Commission in Washington of its approval for purchase of Chinese manned Liberty

<sup>57</sup> Chief of Naval Operations.

<sup>58</sup> Successor to Colonel Davis as General Marshall's representative in Washington.

ships reference 89251.<sup>59</sup> Doctor Soong informs me that Minister Yu Ta-wei<sup>60</sup> will give immediate approval to formal application for purchase.

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Colonel Marshall S. Carter*

NANKING, 13 June 1946.

887. With regard to SCALS,<sup>61</sup> Liberty ships flying temporary flag under contract, I think, of Maritime Commission to China Merchants Steam Navigation Company. Please see if this can not be readjusted quickly to release ships to Chinese on basis such as applies to FLC surplus property lots now being delivered to Chinese and put into circulation by them in China by sale, but final price and items to be covered under terms negotiated for general surplus property transfers to Chinese. I want to get SCALS under Chinese flag as quickly as possible.

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter to General Marshall*

[WASHINGTON,] 14 June 1946.

91312. Your 887<sup>62</sup> refers. On 12 June China Theater's 03163<sup>63</sup> (repeated to Nanking) pointed out that troop movements to Manchuria were nearly complete, and requested that the vessels be used to support Chinese economy when and as they are available. No urgency of transfer to Chinese Flag was indicated. Your 887 of 13 June indicates urgency of transfer. Dr. S. C. Wang of Chinese Supply Commission has just told me by phone that he had received a message from China directing him to do everything possible to have the ships transferred to Chinese Flag by 20 June. This date has no significance with respect to the Lend-Lease Act or Ship Sales Act, or any other economic considerations of which I am aware.

The ships cannot be transferred to Chinese Flag under the Ship Sales Act until 23 July at the earliest, although other means of accomplishing this transfer are still being investigated. No particular difficulty is anticipated in complying with China Theater's request as contained in 03163.

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<sup>59</sup> Telegram of May 24, not printed.

<sup>60</sup> Chinese Minister of Communications.

<sup>61</sup> Shipping Control Authority Liberty Ships.

<sup>62</sup> *Supra*.

<sup>63</sup> Telegram of June 12, not printed.



The action indicated in your 887 is the one I am trying to negotiate. However, the Chinese message indicated above has a significance that I feel merits your attention.

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Colonel Marshall S. Carter*

NANKING, 16 June 1946.

915. Reurad 91312,<sup>65</sup> my desire is to relieve U. S. Government of embarrassment in controlling those ships now with complete Chinese personnel. Only this morning I had to countermand the orders of the Gimo<sup>66</sup> to troops enroute from Canton to Shanghai to proceed on to Tsingtao and reenforce the Chinese National Garrison there in connection with the current fighting in Shantung Province. Furthermore, these vessels are handling army supplies to Manchuria which procedure is under constant Communist propaganda attack as American shipping, though not flying U. S. flag. The date of June 20th has great significance as it anticipates the close of the present partial truce at noon on June 22nd and the possibility of the failure to reach the necessary agreements to finally terminate hostilities, in which event a general civil war would probably develop.

Do your very best to get these 10 vessels under Chinese flag at the earliest possible moment.

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter to General Marshall*

[WASHINGTON,] 17 June 1946.

91588. Your 915<sup>65</sup> refers. Presidential approval has been obtained to "Transfer the vessel[s] under the Lend-Lease Act subject to an agreement by the Chinese to purchase them at the earliest possible moment permitted under the Ship Sales Act." This will place ships under Chinese flag even though title cannot pass to Government of China until actual sale. Administrative directives to implement President's action will follow tomorrow. Actual sale will be consummated as soon as possible but this may extend into July.

No other legal means exist, but believe this meets your desires. No action required at this time by Chinese Government, since Supply Commission has already placed order for sufficient ships to cover this item. Suggest no notification to Chinese until administrative directives arrive.

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<sup>65</sup> *Supra.*

<sup>66</sup> Generalissimo Chiang Kai-shek.

Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter to General Marshall*

[WASHINGTON,] 20 June 1946.

91932. My 88520 of 18 May <sup>67</sup> refers. After lengthy and involved negotiations with the Maritime Commission it has been determined that any attempt to amend the Merchant Ship Sales Act at this time could not be favorably considered by the Maritime Commission since it would disrupt the existing satisfactory procedures. Sale of ships under this act is progressing much better than originally expected based on present bids for all types of shipping; the Maritime Commission is unable to support a proposal which would alter the basic principles of the Ship Sales Act. This applies to removal of Cl-MAV1's and N3's from the provisions of the Act, as well as an amendment to the pricing formula for these or any other type ship. While it is fully realized that the price of all ships is based on their construction cost and not on their present commercial value, bids to purchase have exceeded availabilities to such an extent that a shift in policy would be insupportable on the Hill.

The Maritime Commission has not yet decided what credit terms will be extended to foreign governments although the minimum acceptable under the Act is stated in paragraph 2 of 88520. In this connection a separate cable will follow shortly relative to sale of the 10 SCALS Liberty ships.

Based on the foregoing it is recommended that the Chinese Government accept the prices and credit terms established by the Ship Sales Act and utilize as an offset in local financial transactions the reduced prices and extensions of credit negotiated in other deals such as surplus property and ExIm Bank loans.

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter to General Marshall*

[WASHINGTON,] 21 June 1946.

92048. 91588 <sup>68</sup> and 915 <sup>69</sup> refers. The Maritime Commission proposes that, in order to carry out the conditions that the transfer of the vessels under lend-lease should be superseded at the earliest possible moment by sale under the Merchant Ship Sales Act, the following action be taken :

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<sup>67</sup> Not printed; it referred to General Marshall's telegram No. 672, May 10, p. 794, and explained that prices could not be changed without amending the Merchant Ship Sales Act of March 8.

<sup>68</sup> Telegram of June 17, p. 796.

<sup>69</sup> Telegram of June 16, p. 796.

a. The Government of China should arrange to place 51½ million dollars in escrow to cover the estimated purchase price of the 10 vessels, which money will later be available for down payments on other vessels applied for, provided the Commission extends credit terms to foreign governments generally, and subject to taking care of any liens on the 10 vessels intervening prior to the effective date of the credit mortgage.

b. If the money indicated in a above is made available at once, negotiations can be completed here by the Chinese Supply Commission and the transfer of title be made on 23 June or shortly thereafter.

The Maritime Commission has not determined generally as to foreign governments the method of payment to be made, whether cash, or cash and credit. Until this policy has been established sale cannot be consummated, and title cannot be passed except by the escrow arrangement noted above.

It is believed that the Chinese Government should meet the terms of the Presidential Directive by making available the sum of 51½ million dollars as purely an interim arrangement to cover the period between transfer under lend-lease and the date on which actual sale of the vessels can be completed, in order to transfer title to the Chinese Government at the "earliest possible moment". The substance of this cable has been given to Dr. S. C. Wang, Chinese Supply Commission, who is to report it to T. V. Soong.

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Marshall Mission Files, Lot 54-D270: Telegram

*General Marshall to Colonel Marshall S. Carter*

NANKING, 29 June 1946.

1015. My main point was to get the SCALS under Chinese flag and control at the earliest practicable moment, Reurad 92890.<sup>70</sup> In this connection your action has met my requirement. However, it is still desirable to consummate the sale under the provisions of the Ship Sales Act as soon as possible to avoid any possible repercussion coming about through United States retention of title during this intervening period. Even the loan of a United States ship though flying a Chinese flag is subject to challenge as constituting support for one side against another.

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<sup>70</sup> Telegram of June 28, not printed.



893.852/7-546

*Colonel Marshall S. Carter to the Secretary of State*

WASHINGTON, 5 July 1946.

Subject: Information on Transfer of 10 Liberty Ships to Chinese Flag

DEAR MR. SECRETARY: General Marshall desires that no press release be issued on the above subject.

However, in the event queries arise from the press, they may be answered along the following lines:

"Mr. C. E. Stillson of Detroit, Michigan, Director of Shipping Control Authority, and Mr. R. R. Spence, Acting Regional Director of War Shipping Administration, on 29 June turned over to the Chinese Government control of 10 Liberty ships. Mr. W. H. T. Wei, Assistant General Manager of the Chinese Merchants Steam Navigation Company, accepted for the Chinese Government. The first of these ships was taken over last February by Chinese crews. They have operated along the coast from Indo-China to Hulutao, and up the Yangtze River as far as the city of Hankow. The Chinese crews during these operations have established an excellent safety record."

It is requested that any additional information required be coordinated with this office.

Sincerely yours,

MARSHALL S. CARTER

893.24/6-2046

*The Acting Secretary of State to the Secretary of Navy (Forrestal)*

WASHINGTON, July 10, 1946.

MY DEAR MR. SECRETARY: I refer to Admiral Reeves' letter of June 20, 1946 ([SC]L11-7/EF16, Serial 0404P40),<sup>71</sup> regarding the provision to the Government of the Republic of China under the Lend-Lease Act of "maintenance repairs, supplies and services, not available as surplus U. S. Government property, in support of Naval vessels, equipment and training programs heretofore authorized under credit lend-lease".

In accordance with the authority vested in the Secretary of State by the President's memorandum to the Secretaries of War and of the Navy of January 19, 1946,<sup>72</sup> the Navy Department is hereby authorized to provide after June 30, 1946, the supplies and services referred to above in an amount not exceeding \$5,000,000 for a period extending not beyond December 31, 1947.

<sup>71</sup> Not printed.

<sup>72</sup> *Ante*, p. 727.

There is attached hereto a photostatic copy of the 3 (c) Agreement signed on June 28, 1946,<sup>73</sup> by representatives of the Governments of the United States and China. Article II (c) of the Agreement, which was approved by Captain Sinnett of Admiral Reeves' office in advance of signing, is intended to comprehend the entire naval program approved above. You will note that the costs of the training programs enumerated in Article II (c) are not to exceed \$15,000,000 of which it is understood that \$5,000,000 will cover the costs of the naval program and the balance of \$10,000,000 will cover the costs of the War Department air, ground, and medical training programs.

You will note further that the Agreement provides in Article III for reimbursement by the Government of the Republic of China upon presentation of bills by the Government of the United States. The presentation of bills may be made, at your discretion, either in advance of or subsequent to the provision of naval supplies and services in support of the approved program.

Sincerely yours,

DEAN ACHESON

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter to General Marshall*

[WASHINGTON,] 16 July 1946.

94585. On 12 July, for your information, the Chinese Supply Commission placed \$5,500,000 in escrow with U. S. Maritime Commission, and signed an agreement whereby "the use and possession" of the 10 SCALS Liberty ships was transferred to the Chinese Government. Copy of agreement<sup>74</sup> follows by courier. Policies for final sale to foreign governments not yet agreed by Maritime Commission.

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter to General Marshall*

[WASHINGTON,] 22 August 1946.

98250. The Maritime Commission is now ready to act on China's application for the purchase of 159 war-built commercial vessels of various types under the Merchant Ships Sales Act of 1946. This includes Liberties, Victories, N3's and CLMAVI's. The deal involves an extension of credit by U. S. to China of approximately \$76,000,000 over a period of not to exceed 20 years.

The National Advisory Council has advised the Maritime Commission as follows:

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<sup>73</sup> Department of State T.I.A.S., No. 1746, or 61 Stat. (pt. 4) 3895.

<sup>74</sup> July 12, not printed.

"The Council has no objection to the extension of the credit to the Government of China providing that General Marshall's approval has first been obtained."

This program of acquisition of vessels will extend over a period of almost 2 years and is designed to restore to pre-war levels Chinese coastal shipping. This is identical program we have been working on here since April.

In order to comply with National Advisory Council's recommendation, the Maritime Commission has asked me to obtain your formal views on the extension of the indicated [program] for this purpose.

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Marshall Mission Files, Lot 54-D270: Telegram

*General Marshall to Colonel Marshall S. Carter*

NANKING, 4 September 1946.

1445. Favor extending credit to the Government of China for the purchase of commercial type vessels, Urad 98807<sup>75</sup> refers, under the Merchant Ships Sales Act of 1946 subject to some such proviso as:

"It is the desire of the United States Government that these commercial type vessels be destined for a united and democratic China under a coalition government. It is therefore understood by the Chinese Government that if it appears to be the best interests of the United States, this program for transfer of these ships can be terminated unilaterally by the United States subject to such financial adjustments as may be subsequently negotiated".

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893.34/9-2346

*Memorandum by the Assistant Chief of Naval Operations (Dennison)  
to the Director of the Office of Far Eastern Affairs (Vincent)*

WASHINGTON, 23 September 1946.

1. In late August, the Chief of Naval Operations requested Admiral Cooke to obtain General Marshall's views on the method to be adopted in transferring naval vessels to China under Public Law 512.<sup>76</sup>

2. Admiral Cooke has transmitted General Marshall's views, in which he concurs, namely that the transfer should be an outright gift without any loan or payment provisions; and that the protocol apart from such contract should call for the transfer of certain alien property administration properties to the U. S. Government. Admiral Cooke recommends the following properties for consideration:

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<sup>75</sup> Telegram of August 28, not printed.

<sup>76</sup> An Act to provide assistance to the Republic of China in augmenting and maintaining a Naval Establishment, and for other purposes, approved July 16, 1946; 60 Stat. 539.



Shanghai—Acquisition of Glen Line building plus rights to use Kiangwan Airfield for 5 years.

Tsingtao—Acquisition of Edgewater Mansions Hotel at 52 Pacific Road plus rights to use Tsingtao Airfield (Marine Base #2) for 5 years.

Admiral Cooke proposes to submit further detailed recommendations on this subject later.

3. Would you please let me have your views on General Marshall's and Admiral Cooke's recommendations?

R. L. DENNISON

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811.24593/9-2946 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, September 29, 1946—9 a. m.

[Received September 30—4:45 a. m.]

1559. Embassy advises against employment ship transfer (re Commander Sev Fleet telegram 210405Z, September 23<sup>77</sup>) as means of obtaining rights to use for 5 years of Kiangwan and Tsingtao air fields since it would lay the U. S. open to serious charge of buying bases on Chinese soil. with attendant repercussions, and merely for *de jure* right of partial use of these fields for supply purposes. Furthermore, such use in all probability can be obtained by informal arrangement in connection with the activation of the Army and Navy advisory group. In fact, General McConnell, Chief Nanking Headquarters Air Division, has just concluded an arrangement with General Chou, Commanding General Chinese Air Forces, to take care of situation arising out of the deactivation of the U. S. China Service Command in Shanghai on September 30. Although the operational control of the Kiangwan air base will pass to the Chinese Air Force on that date, "the 1580th AAFMSF Unit, Air Transport Command, and the weather communications, and other personnel incident to control of clearance and operations of American military aircraft (including American Naval and Marine aircraft) will be permitted to remain and to continue their functions as heretofore" in accordance with certain specific provisos.

This telegram has General Marshall's approval.

STUART

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<sup>77</sup> Not printed.

893.34/10-2446: Telegram

*The Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, October 30, 1946—8 p. m.

966. Navy is disturbed over recent reports from China to effect that Brit are contemplating transfer to China of a cruiser, a destroyer and other naval vessels and have completed arrangements for training in UK substantial number Chinese personnel. Navy feels that it is not in best interests of Chinese to take over cruisers or submarines at this stage and is concerned lest prospect of training in a foreign country will strain best qualified naval students into Brit training program. Navy believes that if these two projects are placed into effect British will gain predominant role in Chinese naval affairs.

Emb will recall that original Art 22 of draft agreement<sup>78</sup> committed Chinese not to engage services of personnel of any third govt in connection with Chinese armed forces but that this article was deleted at request of Chinese because of its alleged implication of infringement of sovereignty and on basis of Gimo's assurances that he desired only American type organization training and staff procedure (Embtel 1132, July 13<sup>79</sup>).

Dept feels acceptance British training and equipment would prejudice success of military advisory group program and would be violation of spirit if not letter of draft agreement and therefore desires that matter be taken up firmly with Chinese authorities. In light of above Dept feels that Emb should reexamine position with view to possible reintroduction of Art 22 into draft agreement.

BYRNES

Marshall Mission Files, Lot 54-D270

*Memorandum by Rear Admiral S. S. Murray<sup>80</sup> to General Marshall*

[NANKING,] 11 November 1946.

Subject: Transfer of U. S. Naval Vessels to Chinese Navy Under Lend Lease.

1. Prior to requesting authorization from the Chief of Naval Operations to turnover the next group of U. S. Naval vessels to the Chinese Navy, the Commander Seventh Fleet requests your concurrence in the following tentative schedule of transfers under lend lease:

30 November	1 LCI (Landing Craft Infantry)
7 December	1 LST (Landing Ship Tanks)
14 December	1 LSM (Landing Ship Medium)
21 December	1 LST (Landing Ship Tanks)
28 December	1 LSM (Landing Ship Medium)

<sup>78</sup> See instruction No. 546, May 1 to the Embassy in China, p. 830.<sup>79</sup> *Post*, p. 839.<sup>80</sup> Senior member, U. S. Naval Advisory Survey Board.

2. The above landing craft are all of troop or vehicle transporting types. As used by the Chinese, each is capable of transporting approximately the following number of Chinese troops:

1 LST—1000

1 LSM— 400

1 LCI — 200

The two LST's will make a total of nine LST's and complete the turnover of this type to the Chinese Navy. The two LSM's will make a total of six LSM's, and the LCI will make a total of six LCI's they will have received. This will leave two more of each of these two types for turnover to complete those for a total of eight LSM's and eight LCI's scheduled ultimately. The Chinese Navy crews for the above five amphibious craft will be trained and ready to take over by the scheduled dates.

3. The last landing craft capable of transporting troops transferred to the Chinese Navy was the LSM 431 on 14 September. LST 1017, which was scheduled for turnover to the Chinese Navy in September, has not been transferred yet. Commander Seventh Fleet expects to turn LST 1017 over to the Chinese Navy about 20 November. The above two ships were previously cleared by you and the Navy Department for transfer under lend lease.

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893.30 Missions/11-1546: Telegram

*The Acting Secretary of State to the Ambassador in the  
United Kingdom (Harriman)*

WASHINGTON, November 15, 1946—5 p. m.

7733. By virtue Public Law 512 US Navy now engaged training Chinese naval personnel Tsingtao. Training undertaken on informal understanding Chinese would not engage services personnel any third govt connection Chinese armed forces.

US Navy concerned reports originating China to effect Brit have completed arrangements training UK substantial no. Chinese naval personnel and contemplate transfer of cruiser, destroyer and other naval vessels. US Navy disturbed lest prospect training in foreign country will attract best qualified Chinese into Brit training program and believes it is not in best Chinese interests undertake at this early stage of training operate cruisers or submarines. It feels that if these projects are implemented its own program would be impaired and Brit would gain predominant role in Chinese naval affairs.

Pls make discreet and informal inquiries accuracy above reports and report Dept for consideration connection with US military training program China.

ACHESON.



893.34/11-1846 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, November 18, 1946—11 a. m.

[Received 3 p. m.]

1900. As requested Embassy has carefully considered situation described in Deptel 966, October 30, 8 p. m., and has come to conclusion that it would be both useless and impolitic to attempt to obtain re-introduction of article 22 into draft agreement. General Marshall is of same opinion.

Some 600 Chinese naval cadets are now en route to England. They have been specially selected mainly from middle school graduates and thus do not compete with our Naval Advisory group training program. Since there is no question of setting up in China arrival [*a rival?*] British training center, neither the letter nor the spirit of article 22 would seem to have been violated.

There have been many informal discussions between Chinese and United States Naval authorities regarding acquisition of these British men-of-war which, incidentally, Chinese always refer to as being "gifts" and British as "loans". As recently as last month, Admiral Cooke took Dr. T. V. Soong over units of our fleet at Tsingtao in order to demonstrate the complexities of a modern destroyer and other heavier ships. However, Chinese attitude is essentially a gift horse one. The British, far from sharing our Navy's view that they will thereby gain the preponderant role in China's naval affairs, now obviously fear a boomerang and are decidedly concerned that cruiser, and perhaps other units as well, on reaching China, will remain immobilized at anchor and that carefully trained crews will seek more lucrative employment in mercantile marine and elsewhere.

Chinese Navy has almost certainly not yet reached stage where it is capable of taking over and operating reasonably large modern men-of-war. In all circumstances, Embassy strongly recommends that our Govt refrain from injecting itself into this affair and unless instructed to the contrary will not raise unprofitable question of inclusion of article 22 after having agreed to its exclusion.

STUART

893.30 Mission/11-1846 : Telegram

*The Chargé in the United Kingdom (Gallman) to the Secretary of State*

LONDON, November 18, 1946—6 p. m.

[Received November 18—4:37 p. m.]

9576. We took up with Kitson, head China Dept, Foreign Office, today subject Deptel 7733, November 15.

Kitson vague regarding details but said it his understanding one frigate already delivered Chinese with arrangements completed to turn over one cruiser (HMS *Orion*), one destroyer and several minor craft. All vessels to be delivered Chinese under Lend-Lease agreements entered into during war. Unspecified number Chinese naval personnel to be sent British (some believed already en route) receive training, after which they to man vessels being sent China. Kitson promised obtain details from Admiralty, and on receipt they will be transmitted Dept.

GALLMAN

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Colonel Marshall S. Carter*

NANKING, 18 November 1946.

1779. Embassy telegrams 1698 of 19 October and 1789 of 1 November and State Department telegram 1033 of 14 November<sup>81</sup> refer. Actual turnover of the escort carriers with consequent publicity not advisable at this particular moment. There is no objection to preliminary action and working level discussions but desire that you arrange for temporary suspension of actual transfer.

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Marshall Mission Files, Lot 54-D270

*Memorandum by Colonel J. Hart Caughey<sup>81a</sup> to the Minister-Counselor of Embassy in China (Butterworth)*

OSE 606

NANKING, 29 November 1946.

Reference is made to 1779, 18 November 1946, copy of which was furnished to you. Colonel Carter has now advised us that he has arranged for the temporary suspension of actual transfer of the subject escort carriers to the Chinese.

J. HART CAUGHEY

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter to General Marshall*

[WASHINGTON,] 5 December 1946.

86992. In accordance with your recommendation to the Navy as contained in ComSeventhFleet 1145, of 22 September,<sup>82</sup> the United States

<sup>81</sup> None printed; these telegrams dealt with a proposal to transfer five surplus escort aircraft carriers to the Chinese Universal Trading Corporation.

<sup>81a</sup> Executive Officer on General Marshall's staff at Nanking.

<sup>82</sup> Not found in Department files.

Government now proposes to complete administrative machinery for the transfer of certain vessels in the Navy program under Public Law 512 to the Chinese Government "On the basis of a gift". This action will require, as would any other type of transfer, an executive order.

In view of the fact that a substantial portion of the ships are understood to be already in Chinese possession, this proposed executive order would merely establish legal authority for subsequent transfers. Ships already transferred to Chinese Navy under Lend Lease will probably be recaptured and retransferred under Public Law 512 as a gift. Ships already sold as surplus to Maritime Customs will probably remain so sold.

Normally no undue publicity would accrue to such an executive order. In this case the transfers have been taking place for some months and presumably will continue, so the proposed executive order is purely a local bookkeeping transaction.

Have you any objection to this procedure?

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Colonel Marshall S. Carter*

NANKING, 8 December 1946.

1857. Your 86992 <sup>83</sup> ref. Please arrange for deferment of the executive order based on Public Law 512. The issue of the order at this time would touch off a press barrage in China detrimental to my final efforts, particularly since the majority of the ships of all classes and the bulk of the combatant ships have not yet been transferred.

Deferment of the order will not impede present naval transfer plans. The turnover of ships covered by existing lend-lease agreement will not be completed before late February 1947.

Our plans have always visualized that the transfer of ships under PL 512 would be on a gift basis, but provided that a companion agreement was reached covering the turn over of certain alien property administration holdings to the US Government. Issue of the executive order at this time would be premature since this companion agreement has not yet been finalized.

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter to General Marshall*

[WASHINGTON,] 10 December 1946.

87326. Reur 1857.<sup>83</sup> Executive Order on PL 512 will not be issued until you give the word.

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<sup>83</sup> *Supra.*



State Department is not familiar with companion agreement mentioned in your last paragraph. They are concerned about certain legal aspects of alien property holdings, and are anxious to participate in drafting of any agreement on this matter. Please have Embassy make full report to State Department of present status and intentions regarding this matter.

Your 1864<sup>85</sup> noted.

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893.34/12-1246 : Telegram

*Colonel J. Hart Caughey to Colonel Marshall S. Carter*

NANKING, 12 December 1946.

1871. Use of words "companion agreement" in 1857<sup>86</sup> appears to have unduly alerted the department. What was meant actually was "a separate protocol" which was discussed between Admiral Cooke and General Marshall and reflected to the Navy Department by Admiral Cooke in his 090556Z of October.<sup>87</sup> However in view of the fact that some definite form or procedure must be adopted in order to acquire properties in question, Mister Butterworth has been requested to confer with the appropriate US agencies with a view to arriving at some common understanding as to procedure. He will then furnish information requested in 87326<sup>88</sup> to State Department.

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893.34/12-3046

*The Ambassador in China (Stuart) to the Secretary of State*

No. 367

NANKING, December 30, 1946.

[Received January 29, 1947.]

SIR: With reference to General Marshall's telegram 1857 of December 8, 1946 to Warcos<sup>89</sup> for Carter and Colonel Carter's reply thereto (War Department telegram 87326 of December 11 [10], 1946), I have the honor to submit the following information and comments regarding the proposed companion agreement covering the transfer of certain property to the United States Government for use by the United States Navy to be reached in connection with the transfer of United States Naval vessels authorized under Public Law 512.

General Marshall has expressed the view that the transfer of Naval vessels should, when consummated, be in the nature of a free gift.

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<sup>85</sup> Telegram of December 8, not printed.

<sup>86</sup> Telegram of December 8, p. 807.

<sup>87</sup> Not found in Department files.

<sup>88</sup> *Supra*.

<sup>89</sup> War Department, Chief of Staff.

However, the Navy Department desires to use the transfer of the vessels as a means to effect a companion agreement which would be separate from but reached concurrently with that covering the transfer of the vessels and under which the Chinese Government would agree to transfer to the United States Government without compensation certain real property which the Navy Department wishes to acquire. Although the property would be for use of the Navy Department, title thereto would be held in the name of the United States Government. The Commander of the Seventh Fleet contemplates that the property would be acquired in part through the transfer of title thereto, in part through leaseholds of varying duration. General Marshall has concurred in this procedure insofar as it applies to property now held by the Alien Property Administration of the Chinese Government or any other agency of the Chinese Government.

In a memorandum from Rear Admiral S. S. Murray dated December 18, 1946, the Embassy was given a tentative list of properties the acquisition of which has been recommended by the Commander of the Seventh Fleet. A copy of this memorandum is attached hereto.<sup>90</sup> It will be noted that the list comprehends the acquisition, either by transfer of title or by lease, of private property, title to which does not rest with the Chinese Government. In the Embassy's opinion, it will be found impractical to request the transfer of property which is not under the benefit of ownership by the Chinese Government. This opinion is based upon the Embassy's experience in attempting to commit the Chinese Government to acquire such property for subsequent transfer when the Surplus War Property Sales Agreement was under negotiation. Mr. T. V. Soong then took the view that it was virtually impossible for the Chinese Government to expropriate private property for public use with the object of subsequently turning such property over to a foreign power for its use. Furthermore, the expropriation of private property by the Chinese Government for use by the United States Navy might well create a highly vocal group of property owners eager to misinterpret the intentions of the Navy in requesting the property.

The Embassy is of the opinion that careful consideration should be given to the implication which would arise from an extensive acquisition by the United States Navy of property in China on a permanent or semi-permanent basis, and would view with misgiving any presenting of an opportunity to certain elements to seize upon and publicize the agreement as evidence of permanent occupation of Chinese ports by the United States Navy. This danger might be minimized by making the list of properties comprehended by the agreement as short as is consistent with the Navy's real needs in the performance

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<sup>90</sup> Not printed.

of its commitments. It is the Embassy's understanding that the proposal, when presented to General Marshall and approved by him was, in fact, so limited.

Although it is contemplated that the agreement covering the transfer of the vessels will not mention the transfer of properties for the use of the United States Navy, but that the latter will be the subject of a separate concurrent agreement and will thus constitute a counter-gift on the part of the Chinese Government in return for the gift of the vessels, it is apparent that if the counter-gift becomes large, it will acquire the character of compensation. Since in no case will the value of the properties under consideration approach the value of the vessels, it would appear desirable, insofar as may be possible, to maintain the nature of the acquisition as a counter-gift through limiting the scope of the companion agreement to those properties for which an imperative need exists.

Respectfully yours,

For the Ambassador:  
W. WALTON BUTTERWORTH  
*Minister-Counselor of Embassy*

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#### IV. NEGOTIATIONS RESPECTING ESTABLISHMENT OF UNITED STATES MILITARY AND NAVAL ADVISORY GROUPS IN CHINA<sup>91</sup>

893.20 Mission/1-546

*Memorandum by the Secretary of State to the State Department Member on the State-War-Navy Coordinating Committee (Dunn)*<sup>92</sup>

[SWNCC 83/16]

WASHINGTON, 5 January 1946.

My reaction to SWNCC 83/8,<sup>93</sup> U. S. Military Advisory Group to China, is that the size and contemplated activities of the Group are not in conformity with its "advisory" character. It would appear that, rather than establishing an Advisory Group on a military staff level, it is planned to send out a military training group which would permeate throughout the Chinese Army on an operational level. As a matter of comparison, the size of the Group—approximately 4,600 officers and men—is roughly equal to the British officer strength in the Indian Army under peace-time conditions. I recommend, therefore, that the plan be reviewed with a view to formation of an Advisory Group which would function only on military staff level and which

<sup>91</sup> For previous correspondence, see *Foreign Relations*, 1945, vol. VII, pp. 527 ff., *passim*.

<sup>92</sup> Enclosure to note of January 7 (not printed) by Secretaries of the State-War-Navy Coordinating Committee, circulated for consideration by the Committee; the Committee approved SWNCC 83/16 by informal action on January 10.

<sup>93</sup> This note (SWNCC 83/8 of October 25, 1945, not printed) covered report by the Joint Chiefs of Staff of October 22 (JCS 1330/10); for report of October 22, see *Foreign Relations*, 1945, vol. VII, p. 590.



would be greatly reduced in size. I should say that a personnel of not more than several hundred would be fully adequate to the task.

It is my belief that the immunities, privileges, and concessions which the Chinese Government is expected to grant in connection with the establishment of the Group are excessive. I have in mind particularly the following:

(1) complete exemption from any form of import duty or taxation on goods to be used or consumed by the personnel of the Group; (2) exemption from Chinese jurisdiction for all Group personnel, civilian as well as military; (3) China to refrain from supporting armed forces (Chinese) not sponsored by the U. S., when such support would interfere quantitatively or qualitatively with the effectiveness or efficiency of the U. S. sponsored units; (4) China may purchase military equipment from another power only after consultation with the Advisory Group; and (5) certain preferential treatment for American commercial organizations in China.

I do not consider it wise to ask for a preferential position for the Group so extensive in character and I consider it ill-advised to make establishment of the Group conditional upon the grant by China of concessions in unrelated fields.

Finally, I would suggest that the paper be referred back to the Joint Chiefs of Staff with a view to obtaining closer and more detailed study of the relationship of the Group to the maintenance of our own and world security. The present plan might be construed as a projection of U. S. military power onto the Asiatic continent rather than as simply aid to China in modernizing its Army. I question whether, international relations and other matters considered, the program outlined in SWNCC 83/8 and as supplemented by JCS 1330/9,<sup>94</sup> U. S. Military Assistance to China in Addition to a Military Advisory Group, would actually contribute towards our security and world peace or towards political unity, and peace and prosperity in China.

JAMES F. BYRNES

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Marshall Mission Files, Lot 54-D270: Telegram

*Lieutenant General Albert C. Wedemeyer*<sup>95</sup> to the Chief of Staff  
(*Eisenhower*)

SHANGHAI, 21 January 1946.

20766. Reurad 92047.<sup>96</sup>

1. Secretary of State stress[ed] the "Advisory" functions of the proposed Military Advisory Group. The initial conception of this

<sup>94</sup> Enclosure to SWNCC 83/7, October 25, 1945, not printed.

<sup>95</sup> Commanding General, U. S. Forces in the China Theater and Chief of Staff to the Supreme Allied Commander of the China Theater (Chiang Kai-shek).

<sup>96</sup> Telegram of January 8, not printed; it transmitted memorandum of January 5, *supra*.

group<sup>97</sup> was presented by the Generalissimo<sup>98</sup> and his Minister of War.<sup>99</sup> The Generalissimo desired an extensive degree of American supervision in the training of his military forces. China being a large country and the projected Army large and scattered a correspondingly large American personnel would be necessary. We cannot provide sufficient personnel for close supervision in the lower echelons, but the Generalissimo does desire and expects this form of assistance in his projected service schools, including air, ground and naval as well as in the general and special staff groups of the Ministry of War and in the Supreme Headquarters.

2. The Generalissimo for some inexplicable reason does not like the connotation of military mission and therefore requested that the group be termed the Military Advisory Group. It was not his intention, however, to limit the functions of the group to advisory functions on the highest military staff level. The American personnel would not participate in any manner in Chinese military operations. The supervision of training mentioned above would be accomplished by combined U. S. and Chinese inspection teams with checking on the actual work of ground units and by small liaison groups working with Chinese Air Force units.

3. I am in agreement that the Army Advisory Group proposed last fall by the Generalissimo through me as his Chief of Staff, is too large. Obviously, however, the more American personnel we employ in actual supervisory capacities the more effective the work will be. It may be a year or much longer before approximately 3,800 Americans as set up in JCS 1330/10<sup>1</sup> could be accommodated and appropriately employed. I now propose that a nucleus of the Army Advisory Group would be established immediately under presidential war powers. This would total approximately 300 or 400 officers and men initially. This procedure would permit us to maintain continuity of American assistance that has proven so invaluable in creating a dependable military force of Alpha divisions and small air units. We should not delay such participation any longer for both the British and Russians are bidding strongly for Chinese approval of similar advisory groups.

4. We have developed an excellent cooperative spirit in assisting the Chinese the past several months. The Generalissimo has stated categorically to me that he intends to accept U. S. military doctrine, organization and equipment exclusively. I, therefore, strongly recommend that an able officer be designated now to head up the group

<sup>97</sup> See telegram No. 1505 of September 2, 1945, from the Ambassador in China (Hurley), *Foreign Relations*, 1945, vol. VII, p. 546.

<sup>98</sup> President Chiang Kai-shek.

<sup>99</sup> General Chen Cheng.

<sup>1</sup> Report of October 22, *Foreign Relations*, 1945, vol. VII, p. 590.

and be required to report here within the next few weeks. I would give him every assistance in setting up his headquarters, in establishing his group functions and in making appropriate dispositions of personnel and equipment to insure the continuity of American influence, prestige and effort above indicated.

5. It is my opinion that the initial authorization for the Army Advisory Group should total approximately 750 officers and enlisted men. They should be Regular Army personnel specially selected and particularly adept in staff organization and procedures and in the junior ranks with fine training capabilities. A proposed organization based on the strength of 750 will be dispatched to the War Department shortly.<sup>2</sup> If approval of this organization were received from the President and State Department, I believe that there should be a qualifying statement in the paper presented to the effect that subsequent recommendations for an increased strength may be submitted by the War Department in that it is not possible to determine at this time how the situation here may develop and to what degree we might wish to render military assistance to China.

6. With respect to the specific immunities, privileges and concessions for American personnel in the Military Advisory Group: In the first place the Generalissimo and his Minister of War in their initial plan submitted to me proposed in a large measure that such privileges be accorded American personnel. They did this all [on] their own initiative. Under the circumstances I do not feel, therefore, that these privileges are excessive or would be unacceptable to the Chinese Government. There are these further factors to be considered:

*a.* "Complete exemption from any form of import duty or taxation on goods to be used or consumed by the personnel of the group." Comment: It is believed that such exemption should be included, insofar as it affects imports from the U. S., its territories and possessions. This exemption should cover personal and household needs of group personnel and their legal dependents. There should also be an exemption from income taxes and property taxes levied by the Chinese authorities. In other words, all that is asked is that the Advisory Group should be considered on a quasi-diplomatic status as is, we believe, the commonly accepted practice with military missions in other foreign countries. General Marshall thinks it important to make this particular point of view clear to Mister Byrnes.

*b.* "Exemption from Chinese jurisdiction for all group personnel, civilian as well as military." Comment: In a country as unstable and politically corrupt as China, military and U. S. civilian members of the proposed military group, their families and dependents, should receive complete immunity from the criminal and civil jurisdiction of Chinese courts. U. S. military jurisdiction should maintain for legal and disciplinary matters. While the objections to such an arrangement are recognized, it is the most satisfactory arrangement for

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<sup>2</sup> Telegram No. 22580, February 8, not printed.



handling this mission problem and U. S. citizens who are asked to represent their government here should be entitled to this protection. If, however, this concession demands too much "face" of Chinese sovereignty the following is considered the minimum acceptable:

(1) All military personnel on duty with the mission and their families and household dependents and all U. S. civilians employed by the mission (the latter belonging in the category included under Article of War 2) should be exempted from Chinese criminal jurisdiction, except as to those cases where we request the Chinese authorities to accept a jurisdiction.

(2) Civilians, Americans or otherwise, not included in 4a [6a] above, such as servants, should not receive the exemption noted therein.

(3) Exemption from Chinese Civil Court jurisdiction should be granted only for acts or omissions in the course of official duties of group personnel. This personnel should include U. S. civilians of the category included in Article of War 2. It should be provided specifically that civil liability will not attach for acts or omissions, even if negligent, in the performance of Army Military Group duties, unless such acts or omissions are criminal in nature, in which latter event group personnel will become subject to civil, but not criminal, jurisdiction of the Chinese authorities.

c. "China will refrain from supporting armed forces (Chinese) not sponsored by the U. S. when such support would interfere quantitatively or qualitatively with the effectiveness or efficiency of the U. S. sponsored units." Comment: Concur that this proposal suggests too broad a concession. Suggestion that this para be reworded to stipulate that U. S. advice, assistance and support will be limited to U. S. approved units. This condition will strengthen the recommendation of the Advisory Group designed to prevent the Chinese from dissipating their meager resources among excessive units.

d. "China may purchase military equipment from another power only after consultation with the Advisory Group." Comment: Do not concur that this restriction is an excessive concession. It is considered reasonable and essential that Advisory Group be consulted as to the advisability of Chinese purchases of foreign military equipment to prevent the Chinese from receiving obsolete, unnecessary and odd-sized equipment, difficult to maintain, supply and replace.

e. "Certain preferential treatment for American commercial organizations in China." Comment: While it may not appear on the surface ethical procedure to require certain concessions from the Chinese Government in return for assistance that the U. S. may give, I feel that we must definitely operate a *quid pro quo* basis. It is my conviction that we are entirely too generous and unrealistic in rendering assistance to other governments. The Chinese Government knows and expects us to have certain objectives in the Far East, political, military and economic. We are only deceiving ourselves if we approach the problem of continued assistance to China without protecting those American interests. One very cogent example that I have personally examined and know to be true. The American businessman is severely handicapped in this area by the lack of governmental

action with reference to trade treaties with China. While we are vacillating, the British and Soviet Governments are supporting their business organizations in this area in consonance with their plans to assume dominant roles. The United States has advanced huge loans to China and has made sacrifices in treasure and lives during the course of the war to assist the Chinese. I have talked to many Chinese officials and businessmen and they want American capital here. They express strongly and quite frankly their desire to facilitate American business as opposed to British, French, Dutch and Soviet interests. I do not construe therefore agreements with China favoring Americans as preferential treatment. It is merely implementation of international *quid pro quo*. In talking to the President last October, I obtained the definite impression that he visualized a *quid pro quo* approach to international problems.

7. I am not completely in accord with the Secretary of State's statement that the size and function of the Military Advisory Group could be construed as a projection of the U. S. military power on to the Asiatic Continent. Even if so construed, I do not feel that our country would be criticized in the premises. The Generalissimo has informed me most confidentially that both Soviet Russia and Great Britain have offered completely gratis the military assistance visualized in the American Army Advisory Group. The relationship between China and the U. S. the past several years as compared to the relationships with the other countries mentioned have caused the Generalissimo to favor complete cooperation with the U. S. Obviously there are political and economic reasons as well as military, for his strong inclination toward America.

8. General Marshall's <sup>3</sup> comments: The foregoing message has been read and discussed with Wedemeyer. I agree in principle with the Secretary of State's views, with which Wedemeyer is also in accord, namely, that the Military Advisory Group should be materially reduced in strength. With regard to immunities, privileges and concessions, these were in part proposed, I am informed by Wedemeyer, by the Generalissimo and his Minister of War in their initial approach on the subject of the Army Advisory Group. Most of these immunities are those accorded as a matter of course to diplomatic personnel and this mission would be a very definite diplomatic implication or stamp on the part of the United States Government. The appointment of an officer to take charge of the Army Advisory Group is urgently necessary. I have come to the conclusion that Wedemeyer should not be burdened with this duty and, also, that for the present he should continue as Chief of Staff to the Generalissimo. As the United States Forces, China Theater complete their task as assigned by the Joint Chiefs of Staff, they can gradually be evacuated, [and]

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<sup>3</sup> General of the Army George C. Marshall, Special Representative of President Truman in China.

concurrently the Army Advisory Group will perform its functions as it gradually builds up to authorized strength.

9. Additional comments by Wedemeyer: During Secretary of War's <sup>4</sup> visit in this theater he expressed general concurrence with the ideas embodied in this message. He requested that this matter be brought to his attention when he returned to Washington for he feels urgently that concrete steps should be initiated to finalize the Army Military Advisory Group.

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Marshall Mission Files, Lot 54-D270 : Telegram

*Lieutenant General John E. Hull* <sup>5</sup> to General Marshall

[WASHINGTON,] 8 February 1946.

96477. Informally from the Navy Department it is learned that they are sending a message to you <sup>6</sup> explaining the Navy Department bill for the Naval Advisory Group to China and the transfer of naval vessels to China. This bill has been reported to the floor of the House where Mr. Martin <sup>7</sup> indicates he contemplates open discussions on the matter. Navy recognizes implications which may result in connection with your mission.

The following is the status of Advisory Group matter as now being processed through channels of JC/S to State and the President :

Information was received today from Admiral Cooke <sup>8</sup> recommending an initial Naval Advisory Group of 165 personnel and the planners thereupon sent forward to the JC/S today a proposed reply to Mr. Byrnes' letter to SWNCC <sup>9</sup> on the subject of giving a further explanation of the Advisory Group as requested by Mr. Byrnes and recommending that it be set up at once by the President under his war powers with an authorization for the Army of 750 personnel initially and for the Navy of 165 personnel initially. It is recognized that legislation would be required eventually for both Army and Navy components of the Advisory Group which naturally should be on the same basis legislatively.

The Navy bill was initiated by the Navy Department as a separate matter to the JC/S action, without War Department coordination, for the purpose of obtaining the necessary Congressional authority to transfer naval ships to a foreign power. The matter of the Navy Advisory Group was included in the bill. From informal information available, it appears that Congressional discussion turns around the wide latitude in the wording of the bill with reference to transfer of naval ships. This message is for your information.

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<sup>4</sup> Robert P. Patterson.

<sup>5</sup> Assistant Chief of Staff, Operations Division, War Department General Staff.

<sup>6</sup> Telegram 08/2347, February 8, not printed.

<sup>7</sup> Joseph W. Martin, Minority Leader of the House of Representatives.

<sup>8</sup> Vice Adm. Charles M. Cooke, Jr., Commander U. S. 7th Fleet.

<sup>9</sup> January 5, p. 810.



SWNCC Files : Lot 52 M 45

*Note by the Secretaries of the State-War-Navy  
Coordinating Committee*<sup>10</sup>

SWNCC 83/17

[WASHINGTON,] 13 February 1946.

ESTABLISHMENT OF A U. S. MILITARY ADVISORY GROUP TO CHINA

The enclosure, a memorandum on the above subject from the Secretary, Joint Chiefs of Staff, is circulated for consideration by the Committee as a matter of priority.

ALEXANDER D. REID  
B. L. AUSTIN  
RAYMOND E. COX

[Enclosure 1]

*Memorandum by the Joint Chiefs of Staff to the State-War-Navy  
Coordinating Committee*

[SM-4992]

WASHINGTON, 13 February 1946.

The Joint Chiefs of Staff have re-examined SWNCC 83/7<sup>11</sup> and SWNCC 83/8<sup>12</sup> in light of Mr. Byrnes' memorandum in SWNCC 83/16.<sup>13</sup> Factors considered in this re-examination, attached as Appendix "A",<sup>14</sup> include the oral statement of 14 September 1945 by the President to Dr. T. V. Soong,<sup>15</sup> State-War-Navy Coordinating Committee guidance on U. S. military responsibility in the training and equipping of Chinese Armed Forces (SWNCC 83/4 amended by SWNCC 83/5<sup>16</sup> and by SWNCC in its 28th meeting 22 October 1945), the statement of approved policy towards China of mid-December 1945<sup>17</sup> upon General Marshall's departure for China, and the views of General Marshall and General Wedemeyer.<sup>18</sup>

<sup>10</sup> Approved by the Committee on February 14 and copy forwarded to the Secretary of State for implementation.

<sup>11</sup> October 25, 1945, not printed.

<sup>12</sup> See footnote 93, p. 810.

<sup>13</sup> January 5, p. 810.

<sup>14</sup> Not printed.

<sup>15</sup> *Foreign Relations*, 1945, vol. VII, p. 561. Dr. Soong was President of the Chinese Executive Yuan.

<sup>16</sup> SWNCC 83/4 and 83/5 not printed; the following extract from the amended paper of October 22, quoted in Appendix "A", not printed, defined the Committee guidance on U. S. military responsibility: "To assist and advise China in the development of modern armed forces, ground, sea and air, for the following purposes only: (1) maintenance of internal peace and security in China, including the liberated areas of Manchuria and Formosa, and (2) the fulfillment of those obligations which may devolve upon China in the occupation of Korea and Japan".

<sup>17</sup> December 15, 1945, *Foreign Relations*, 1945, vol. VII, p. 770.

<sup>18</sup> See telegram No. 20766, January 21, from General Wedemeyer, p. 811.

In submitting a plan for the establishment of a military advisory group, the Joint Chiefs of Staff considered that they were carrying out announced U. S. policy toward China and that in carrying out this policy, they were furthering the U. S. program for stability in the Far East. It would appear desirable from the practical standpoint to insure continuity insofar as the military is concerned of the excellent cooperative spirit already developed. General Wedemeyer reports that the Generalissimo desires to accept U. S. military doctrine, organization and equipment exclusively, but that the British and the Russians are bidding strongly for Chinese approval of advisory groups similar to that recommended by the Joint Chiefs of Staff to the State Department.

With respect to the suggested immunities, privileges and concessions for American personnel, there are attached, also in Appendix "A", statements made by General Wedemeyer and General Marshall concerning the points raised in the Secretary of State's memorandum. The Joint Chiefs of Staff concur with these views. The list of rights and concessions contained in SWNCC 83/7 was submitted for consideration of the State Department in negotiating contracts with the Chinese Government. The establishment of an advisory group was not to be conditional upon the grant by China of any particular concession.

The contemplated activities of the Military Advisory Group envisage advice to higher staffs on organizational and training matters, assistance in the training of general and special staff groups of the Ministry of War and the Supreme Headquarters, and provision of some training and technical assistance in the academies and service schools of the air, ground and naval forces. Sufficient personnel for close tactical or technical training assistance in lower echelons of all Chinese armed forces will not be available. This participation in training would not under any circumstances extend to U. S. personnel accompanying Chinese troops in any combat operations.

The size and organization of the Military Advisory Group must necessarily depend upon the ultimate political situation of China coupled with the size and organization of the post-war Chinese armed forces. The situation in China in this connection is obscure.

A great proportion of the Chinese Ground Forces, which in view of our wartime equipment and training programs would be most suitable for continued modernization and training, are at present engaged in regrouping and reoccupation operations and may not be soon available for post-war modernization. Determination of U. S. assistance justifiable over and above the 39-division program should logically await completion of these operations since the support already given the Chinese will be an element in the determination of additional assistance.

Further studies on a Chinese air program which is reasonably justified and which the Chinese can be reasonably expected to support, now indicate that the Chinese Air Force to be assisted by the United States should not exceed eight and one-third groups until the necessary supporting agencies for a modern air force have been established. The Chinese Air Force presently consists of approximately seven groups. A program for eight and one-third groups calls for a slight increase in air transport aircraft and is well within the limitations of time and materiel. Transport groups are particularly necessary and desirable because of the poor land communications in China.

Although legitimate Chinese naval requirements are still in the planning stage, it is recognized that Chinese crews will require individual training. However, it will probably be several months before the naval part of the Advisory Group can be in full operation.

In light of the foregoing, the Joint Chiefs of Staff consider that a small military advisory group to China should be established immediately as an aid to China in modernizing its armed forces. General Marshall and General Wedemeyer have proposed such action.

The Joint Chiefs of Staff believe that an initial authorization of 750 Army personnel and 165 Naval personnel, or a total of 915, will be adequate pending further developments in the situation. The ultimate size and organization of the Advisory Group can be re-examined when the pattern of political and military organization of China is more clear.

The Joint Chiefs of Staff recommend that as an initial action, the Secretary of State propose to the President the issuance of a directive to the Secretaries of State, War and the Navy substantially as that attached as Appendix "B".

For the Joint Chiefs of Staff:  
A. J. McFarland,  
*Brigadier General, U. S. A.,*  
*Secretary*

[Subenclosure]

#### APPENDIX "B"

Draft

#### PROPOSED DIRECTIVE TO BE ISSUED BY THE PRESIDENT TO THE SECRETARIES OF STATE, WAR AND THE NAVY

The Secretaries of War and the Navy are authorized and directed to establish jointly a U. S. Military Advisory Group to China. The Secretary of State will conduct the necessary negotiations with the Chinese Government.



The object of this Advisory Group will be to assist and advise the Chinese Government in the development of modern armed forces for the fulfillment of those obligations which may devolve upon China under her international agreements including the United Nations Organization, for the establishment of adequate control over liberated areas in China, including Manchuria, and Formosa, and for the maintenance of internal peace and security.

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Marshall Mission Files, Lot 54-D270 : Telegram

*Lieutenant General Albert C. Wedemeyer to the Chief of Staff  
(Eisenhower)*

CHUNGKING, 18 February 1946.

201. General Marshall's present view re head for MAG,<sup>19</sup> my 20766,<sup>20</sup> para 4 refers, follows. Initially will be assigned to Executive Headquarters in Peiping. The Executive Headquarters will continue at least to the end of the year, however, by that time the American representatives of that headquarters may appropriately function under the Military Advisory Group at which time General Marshall suggests placing Gillem<sup>21</sup> in charge of MAG.

Major General Robert B. McClure will continue to serve as acting head MAG and could be retained as deputy head subject to decision of the officer designated to head MAG.

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893.20 Mission/2-1546

*Memorandum by the Director of the Office of Far Eastern Affairs  
(Vincent) to the Secretary of State*

[WASHINGTON,] February 19, 1946.

There is attached a memorandum<sup>22</sup> from the Acting Chairman of SWNCC transmitting SWNCC 83/17<sup>23</sup> in regard to a *U. S. Advisory Group to China*.

The SWNCC paper contains a memorandum from the Joint Chiefs of Staff which goes far towards meeting the points raised in your memorandum of January 5, 1946. The size of the Group is reduced from around 4,000 to "an initial authorization of 750 Army personnel and 165 Naval personnel". Although the number is larger than we had anticipated in suggesting "several hundred" as "fully adequate to

<sup>19</sup> Military Advisory Group.

<sup>20</sup> Telegram of January 21, p. 811.

<sup>21</sup> Lt. Gen. Alvan C. Gillem, Jr., assistant to General Marshall.

<sup>22</sup> Memorandum of February 15 by the Acting Chairman of the SWNCC (Matthews), not printed.

<sup>23</sup> Note of February 13, p. 817.

the task" I am not disposed to question the decision, but I am concerned over the implications in the JCS paper that the Group may be further expanded. For instance there is the statement that the proposed Group "will be adequate pending further developments in the situation" and that "the ultimate size and organization of the Advisory Group can be re-examined when the pattern of political and military organization of China is more clear".

In response to the observation in your memorandum that the Advisory Group "function only on a military staff level" the JCS state that "The contemplated activities of the Military Advisory Group envisage advice to higher staffs on organizational and training matters, assistance in the training of general and special staff groups of the Ministry of War and the Supreme Headquarters, and provisions of some training and technical assistance in the academies and service schools of the air, ground and naval forces." This seems to me satisfactory provided there is strict avoidance of association with Chinese troops on a field or operational level.

With regard to the immunities, privileges and concessions which the Chinese Government is expected to grant, I find acceptable the explanations given in Appendix A<sup>24</sup> to the SWNCC paper. The process of negotiating an agreement will disclose whether it is possible to obtain all that is desired.

Attached to the SWNCC paper as Appendix A [B] is a proposed directive to be issued by the President. It is the final page and I suggest you read the two brief paragraphs. I think it is all right as far as it goes but I do not think it goes far enough because there is no mention of the size of the Advisory Group. I would suggest therefore the addition of the following sentence at the end of paragraph one:

"The strength of the Advisory Group shall not exceed one thousand officers and men except as authorized by me in the light of possible future political and military developments."

I make this suggestion, which actually is in line with the JCS memorandum, because I feel that the probable importance of the Group in our international relations is so great that any substantial increase in the presently proposed size (915 officers and men) should receive the specific sanction of the President in the light of then prevailing circumstances.

Whether the suggested addition of the foregoing sentence should be cleared informally with the Secretaries of War and Navy before the proposed directive is sent to the White House, I leave to your judgment. The JCS memorandum recommends that "the Secretary of

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<sup>24</sup> Not printed.

State propose to the President the issuance of a directive to the Secretaries of State, War and Navy substantially as that attached as Appendix B". The question is whether the sentence I suggest could be considered a substantial change. You might wish simply to call the two Secretaries on the telephone or speak to them at your next meeting with them if that is to be soon.

When I have received your instructions in this matter I shall prepare a memorandum for the White House and also a telegram to General Marshall in as much as the President in a telegram of February 12 (or 13) to General Marshall <sup>25</sup> stated that "With regard to a military advisory group for China, a revised J. C. S. paper on the subject is expected soon and their recommendations will be sent to you for comment".

If the occasion occurs soon, it might be useful to discuss this matter with the President, personally, before submitting to him the directive for signature. I consider it vitally important, as I have said, that the control over the size of the Group remain in the hands of the President, not only because of the bearing on our international relations but also because of possible Congressional interest and inquiry in regard to the size and activities of the Group.

J[OHN] C[ARTER] V[INCENT]

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893.20 Mission/2-2146

*Memorandum by the Secretary of State to President Truman* <sup>26</sup>

[WASHINGTON,] February 21, 1946.

There is attached a proposed directive to be issued by you to the Secretaries of State, War and Navy which authorizes the establishment of a U. S. Military Advisory Group to China.

The original directive as approved on February 14 by the State-War-Navy Coordinating Committee (SWNCC paper no. 83/17) has been altered by me, with the approval of the Secretaries of War and Navy, to include what is now the second sentence in the proposed directive and to make what is now the third sentence into a separate paragraph.

In as much as the substance of the Joint Chiefs of Staff memorandum, which forms the basis of SWNCC 83/17, has been submitted to General Marshall through General Wedemeyer and General Marshall has on previous occasions indicated his desire for the early establishment of the Advisory Group, it is not believed necessary to resubmit the full memorandum for his comment as suggested in your telegram no. 406 of February 13 to General Marshall.<sup>27</sup>

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<sup>25</sup> Telegram No. 406, February 13, vol. ix, p. 434.

<sup>26</sup> Prepared by the Director of the Office of Far Eastern Affairs (Vincent).

<sup>27</sup> Vol. ix, p. 434.



## [Annex]

DIRECTIVE TO THE SECRETARIES OF STATE, WAR AND THE NAVY <sup>28</sup>

The Secretaries of War and the Navy are authorized and directed to establish jointly a U. S. Military Advisory Group to China. The strength of the Advisory Group shall not exceed one thousand officers and men except as authorized by me in the light of possible future political and military developments.

The Secretary of State will conduct the necessary negotiations with the Chinese Government.

The object of this Advisory Group will be to assist and advise the Chinese Government in the development of modern armed forces for the fulfillment of these obligations which may devolve upon China under her international agreements including the United Nations Organization, for the establishment of adequate control over liberated areas in China, including Manchuria, and Formosa, and for the maintenance of internal peace and security.

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893.20 Mission/2-2746 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, February 27, 1946—noon.

352. For Marshall from the President. By my directive of February 25, 1946 to the Secretaries of State, War and the Navy authorizing the establishment of a Military Advisory Group to China I instructed the Secretary of State to conduct the necessary negotiations with the Chinese Government. Secretary Byrnes feels that these negotiations should be conducted in China and has asked whether, in view of your familiarity with the subject, you might be willing to act on his behalf in negotiating an agreement. If you feel that you can accept this additional responsibility I shall inform Mr. Byrnes and he will communicate with you directly in regard to the matter. I assume that General Wedemeyer will be available to give you any needed assistance. [Truman.]

BYRNES

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<sup>28</sup> Signed by President Truman on February 25; SWNCC circulated copy (SWNCC 83/18, March 1) "for information, guidance, and, where appropriate, implementation"; copy of SWNCC 83/18 transmitted to the Embassy in China by the Secretary of State in instruction No. 483, March 7 (not printed) and copy transmitted to General Marshall in telegram No. 98446, February 26 (not printed).

893.20 Mission/2-2746 : Telegram

*The Secretary of State to the Chargé in the Soviet Union (Kennan)* <sup>29</sup>

WASHINGTON, February 27, 1946—7 p. m.

342. Please advise Govt to which you are accredited informally and in confidence that, pursuant to request of Chinese Govt, this Govt expects shortly to start negotiations with that Govt looking to early establishment of a US Military Advisory Group to China. Group is to be limited to number required to give advice to higher staffs on organizational and training matters and assistance in training of staff groups and personnel in academies and service schools.

You may state that same info has been given to British Govt.

BYRNES

121.893/3-746 : Telegram

*General Marshall to the Secretary of State* <sup>30</sup>

[CHUNGKING,] 7 March 1946.

[285.] DEAR MR. SECRETARY: In reply to message from the President [to] American Embassy 352,<sup>31</sup> February 26 [27], my early departure from China and other circumstances make it inadvisable in my opinion for me to undertake negotiations for a contract regarding Military Advisory Group. I propose the following:

That General Gillem now here who is eventually to be the head of the Group and who in the interim will be representing me during my absence and will shortly take over the position of American Commissioner with Executive Headquarters to supervise the carrying out of the demobilization and reorganization of the Chinese Armies, be designated to initiate negotiations with the Chinese Government officials immediately but on an informal basis determining their probable acquiescence or otherwise to the general terms indicated in JCS 1330 series.

Gillem would then communicate this to the official in the State Department designated to finalize the negotiations. A direct liaison between these two individuals should facilitate an early completion of these negotiations.

G. C. MARSHALL

<sup>29</sup> The same, *mutatis mutandis*, on the same date to the Ambassador in the United Kingdom as telegram No. 1837; repeated to the Embassy in China for General Marshall's information as No. 359.

<sup>30</sup> General Marshall departed from China on March 11 for consultation in Washington.

<sup>31</sup> February 27, p. 823.

893.20 Mission/3-846 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, March 8, 1946—5 p. m.

429. For General Marshall. Thank you for your message<sup>32</sup> regarding negotiations for Military Advisory Group. I shall be most grateful for General Gillem's assistance in this matter. Formal instructions along the lines you suggest will be addressed to the Embassy for General Gillem's attention and I assume that he will make such arrangements as he deems appropriate for their implementation.

BYRNES

893.20 Mission/3-1646 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, March 16, 1946—noon.

478. For General Gillem. Tentative draft Military Advisory Group Agreement being airmailed.<sup>33</sup> Copies being transmitted to interested officers in War and Navy concurrently with despatch to you but draft has not been cleared either in Dept or by War or Navy and therefore should not be shown to Chinese. Being sent you now for comment in order expedite negotiations. Suggested changes and authorization to present to Chinese as basis for negotiations will be telegraphed you soon as possible.

BYRNES

893.20 Mission/4-846

*Memorandum by the Director of the Office of Far Eastern Affairs  
(Vincent) to the Under Secretary of State (Acheson)*

[WASHINGTON,] April 8, 1946.

On April 5 we discussed with General Marshall the proposed United States Military Advisory Group to China. Two points of view were represented: The Group should be viewed as similar to our military missions to Latin American countries; that is, as individuals who retain their rank and status in the Army and Navy but who are employed by the Chinese Government and responsible to it for performing the services for which they were sent. The other view is that the Group, although requested by the Chinese Government, is being sent out by the United States Government as a unit and continues to be individually and collectively responsible to the Government of the United States.

<sup>32</sup> Telegram No. 285, March 7, *supra*.<sup>33</sup> Instruction No. 492, March 18, not printed.



It is of course self-evident that an Advisory Group which does not prove satisfactory with the Chinese Government could not function in China and therefore would not remain, but I do think it would lead to confusion to have the Group made responsible to the Chinese Government. I recalled to General Marshall the suggestion he had made in your office that all American activities in China be under the direction of the Ambassador. Except in the matter of technical operations, I felt that the Group should look to the Ambassador for policy direction and for its contact,<sup>34</sup> on other than an operational level, with the Chinese Government. General Marshall readily accepted this suggestion.

One of my chief perturbations with regard to the Advisory Group has been what seems to me to be a failure to understand its purposes; that is, (1) is it going out solely to please the Chinese? (2) is it going out as a projection of military policy to reinforce our security by creating for ourselves a military position in China? or (3) is it going out as a projection or adjunct of our general foreign policy towards China to assist in the creation of a unified, peaceful and relatively strong China? <sup>34</sup> I have a decided preference for the latter conception of the Group and I was glad to find that General Marshall saw it the same way. Therefore, it seems logical that the Advisory Group should be responsible to the Ambassador who is charged with the duty of carrying out U. S. policy towards China. I may say here parenthetically that much depends on the Ambassador who succeeds General Marshall.

We also discussed the privileges and immunities that might be given members of the Advisory Group. General Marshall agreed that the scale of additional compensation which the Army wanted was rather high and thought that some flexible system should be used which took into account the rate of exchange and living costs in China. The matter of immunity from Chinese legal jurisdiction presented quite a problem. There was general agreement that our Articles of War should cover personnel of the Advisory Group in criminal cases. With regard to civil cases there was some difference of opinion which will have to be settled later. With regard to the families of personnel the War Department is anxious that they be exempted from Chinese jurisdiction; but families apparently do not come under the Articles of War.<sup>35</sup> If the War Department had its way members of family would be, I suppose, "outside the law". Some solution for this difficulty will have to be found for the families of Advisory Group members.

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<sup>34</sup> Marginal notation by the Under Secretary: "I agree. DA."

<sup>35</sup> Marginal notation by the Under Secretary: "This won't work. DA."

Jim Penfield,<sup>36</sup> Colonel Davis<sup>37</sup> and Colonel Carter,<sup>38</sup> who is taking Jim Davis' place, were present at the conference.

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893.20 Mission/4-1546

*General Marshall to Congressman Andrew J. May*<sup>39</sup>

WASHINGTON, April 12, 1946.

MY DEAR MR. MAY: I had hoped to be able to discuss with you personally the importance to my mission in China of the Military Missions Bill (HR5433) and the companion Senate measure (S1847).<sup>40</sup> The necessity for my return to China requires that I furnish you my views by letter.

The integration of the armed forces presently maintained by the Nationalist Government and the Communist Party in China and their reduction to an appropriate peace-time size is essential to the attainment of the peace, unity, and stability in China which are so necessary to the security of the United States. I believe that the prompt provision to China of the Military Advisory Group of American Army and Navy personnel, which the Generalissimo has requested, is vital to the success of the program.

As a temporary expedient I have been able to provide some assistance by the use of some American personnel now in China. However, the longer term help necessary to enable China to carry out its program can be provided only under the authority of the type contemplated in HR5433 and S1847.

It is most desirable that we be able to formalize our arrangements to provide this assistance to the Chinese at the earliest possible date. To this end any practicable way in which consideration of the enabling legislation by the Congress may be expedited will be most helpful.

I am sending a similar letter to Senator Thomas.

Faithfully yours,

G. C. MARSHALL

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<sup>36</sup> James K. Penfield, Deputy Director of the Office of Far Eastern Affairs.

<sup>37</sup> James C. Davis, recently General Marshall's representative in Washington.

<sup>38</sup> Marshall S. Carter, successor to Colonel Davis as General Marshall's representative in Washington.

<sup>39</sup> Chairman of the House Military Affairs Committee.

<sup>40</sup> A bill providing for the detail of United States military and naval missions to foreign governments, introduced on February 8 by Congressman May (Kentucky); its companion bill S. 1847 was introduced on February 18 by Senator Elbert D. Thomas (Utah), Chairman of the Senate Military Affairs Committee; see *Congressional Record*, vol. 92, pt. 1, pp. 1191, 1383, 2389, and pt. 3, p. 3832.

893.20 Missions/4-2546 : Telegram

*The Ambassador in the Soviet Union (Smith) to the  
Secretary of State*Moscow, April 25, 1946—11 a. m.  
[Received 2:37 p. m.]

1327. Military Advisory Group to China is subject. Following is translation of Vyshinski's <sup>41</sup> letter of April 19 to Kennan's letter of March 2 to Molotov <sup>42</sup> (ReEmbtel 626, March 2 <sup>43</sup>) :

"In connection with Mr. Kennan's letter of March 2, to the Minister for Foreign Affairs of the USSR, V. M. Molotov, in which it is stated that the Govt of the United States intends soon to begin negotiations with the Chinese Government regarding the establishment [of] a group of United States military advisers in China in the near future, I submit the following:

The Soviet Govt is aware that American military advisers have already been in China for a long time and it would therefore be grateful for clarification as to whether the negotiations have as their purpose the concluding of an agreement relative to the group of American military advisers already in China or whether the negotiations mentioned concern the establishment of a new group of military advisers. The Soviet Government would also appreciate information regarding the number contemplated for the group of the American military advisers in China."

SMITH

893.20 Mission/5-146 : Telegram

*The Acting Secretary of State to the Embassy in China*

WASHINGTON, May 1, 1946—6 p. m.

61. For General Marshall. Cite 538.<sup>44</sup>

The draft Military Advisory Group agreement transmitted to General Gillem by memorandum of Mar. 18 <sup>45</sup> has been considerably revised as a result of discussions here, particularly in the light of conversation Mr. Vincent had with you, Colonel Davis, Colonel Carter and Mr. Penfield.

If complete jurisdiction, both criminal and civil, over American personnel (including their families) were to be retained by the United States the question would then arise as to what U. S. legal authority would exercise jurisdiction over dependents. I should like to point

<sup>41</sup> Andrey Yanuaryevich Vyshinsky, Soviet Deputy Minister for Foreign Affairs.

<sup>42</sup> Vyacheslav Mikhailovich Molotov, Soviet Minister for Foreign Affairs.

<sup>43</sup> Not printed; it reported transmission of letter dated March 2 to Mr. Molotov giving information contained in Department's telegram No. 342, February 27, 7 p. m., p. 824.

<sup>44</sup> Telegram of April 23, not printed.

<sup>45</sup> Not printed; see telegram No. 478, March 16, noon, to the Embassy in China, p. 825.



out also that jurisdiction over our consular personnel and their families and all other Americans who do not enjoy diplomatic status rests with the Chinese Government. I do not see how the United States can propose to the Chinese that they relinquish jurisdiction over the members of the families of Group personnel when the United States itself is unable to assume jurisdictional responsibility in such cases.

I realize the seriousness of possible repercussions in the event that at some future date American civilians, dependent or otherwise, connected with the Group are subjected to some of the procedures now existing in Chinese judicial and penal institutions, but this is a situation faced by all Americans and other foreign nationals in China who do not have diplomatic immunity. State Department fully appreciates this problem and may be expected to intercede through diplomatic channels to mitigate undesirable effects of exercise of Chinese jurisdiction in all practicable ways in cases that are brought to its attention.

It is assumed here that the United States will be responsible to the Chinese Government for those acts or omissions which are determined to have occurred in the course of official duties. Under this interpretation the Chairman of the Group should be the final authority as to whether a civil case involving personnel of the Group (as differentiated from families) should be handled by United States or Chinese courts. I concur that reference to administrative courts should be included in the agreement.

The proposed article covering this matter, as amended in accordance with my views above, would read as follows:

"Article 21. The service courts and authorities of the Government of the United States of America shall have the right to exercise exclusive jurisdiction over all offenses which members of the Group may commit in China. If any cases arise in which the service authorities of the Government of the United States of America prefer not to exercise such jurisdiction, a written statement to that effect shall be sent to the Chinese Government through diplomatic channels after which the Chinese authorities shall be free to exercise jurisdiction.

"No member of the Group shall be subject to the jurisdiction of Chinese civil or administrative courts with respect to any act or omission which, as determined by the Chairman of the Group, occurred in the course of his official duties."

I believe that the foregoing is in the form that should be proposed by the United States, and in accordance with the conversations conducted during your recent visit to Washington. Please let me know if, in light of my above comments, you concur in the reworded article.<sup>46</sup>

ACHESON

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<sup>46</sup> In telegram No. 648, May 5, General Marshall stated his concurrence in the rewording.

893.20 Missions/5-146

*The Department of State to the Embassy in China*

No. 546

WASHINGTON, May 1, 1946.

There is enclosed a copy of the draft, dated April 29, 1946, of the agreement between the United States of America and the Government of the Republic of China for the United States Military Advisory Group to China. This draft agreement has been prepared by this Department in collaboration with the War and Navy Departments.

General Marshall is authorized to present this draft agreement to the Chinese Government as the basis for negotiations between the two Governments. Negotiations in connection with the draft agreement should, of course, be on an *ad referendum* basis.

Legislation providing for the detail of United States military and naval missions to foreign governments is now before the Congress. As this legislation was passed by the House of Representatives on April 18 and was favorably reported by the Senate Military Affairs Committee on April 17, it is probable that the legislation will become law in the very near future. General Marshall will be informed as soon as the legislation has been passed. The draft agreement has been prepared on the assumption that the legislation would be enacted by the time the draft agreement was ready for signature. If there should be an unforeseen delay in the passage of the legislation, additional instructions will be sent so that the agreement may be signed prior to the passage of the legislation.

Legislative authority will be necessary for the implementation of Articles 24, 25 and 26 of the draft agreement. The Department is taking steps so that the necessary enabling legislation may be introduced in the Congress in the near future. The draft agreement has been prepared in the light of the probability that the legislation will not have become law by the time of the signature of the agreement. It is anticipated that the legislation will be passed by the Congress but the Department is, of course, not in position to give assurances to that effect. The legislative situation with regard to Articles 24, 25 and 26 should be explained to the Chinese Government in the course of the negotiations.

Article 20 of the draft agreement has been informally and tentatively approved by the Treasury Department but formal approval has not yet been obtained. It is not believed that the Chinese Government need be informed of this fact. Should the Treasury Department desire any change in the phraseology of this Article, General Marshall will be informed immediately.

[Enclosure]

*Draft Agreement Dated April 29, 1946, Regarding United States  
Military Advisory Group to China*

In conformity with the request of the Government of the Republic of China to the Government of the United States of America, the President of the United States of America has authorized, in agreement with the President of the Republic of China, the appointment of a United States Military Advisory Group to the Republic of China (hereinafter referred to as the Group) under the conditions specified below:

TITLE I

*Purpose and Duration*

Article 1. The purpose of the Group shall be to assist and advise the Chinese Government in the development of modern armed forces for the fulfillment of those obligations which may devolve upon China under her international agreements including commitments assumed under the United Nations, for the establishment of adequate control of liberated areas in China, including Manchuria, and Formosa, and for the maintenance of internal peace and security.

Article 2. The Group shall continue for a period of five years from the date of the signing of this Agreement by the accredited representatives of the Government of the United States of America and the Government of the Republic of China unless previously terminated or extended as hereinafter provided.

Article 3. If the Government of the Republic of China should desire that the services of the Group be extended beyond the stipulated period, it shall make a written proposal to that effect at least six months before the expiration of this Agreement.

Article 4. This Agreement may be terminated before the expiration of the period of five years prescribed in Article 2, or before the expiration of an extension authorized in Article 3, in the following manner:

(a) By either of the Governments, subject to three months written notice to the other Government;

(b) By the recall of the entire personnel of the Group by the Government of the United States of America, without necessity of compliance with the provision (a) of this article.

Article 5. This Agreement is subject to cancellation upon the initiative of either the Government of the United States of America or the Government of the Republic of China at any time during a period when the other Government is involved in domestic or foreign hostilities.



## TITLE II

*Composition. Functions and Personnel*

Article 6. The Group shall consist of such number of United States military personnel, initially not to exceed one thousand, as may be agreed upon by the Governments of the United States of America and the Republic of China.

Article 7. The Group shall include an Army Component and a Navy Component, and shall be headed by a Chairman who shall be a general officer of the United States Army or a flag officer of the United States Navy.

Article 8. The functions of the Group shall be to provide such advice and assistance to China on ground, air, naval and logistic matters as is necessary to accomplish the purposes set forth in Article 1 of this Agreement. United States personnel shall not accompany Chinese troops or Chinese ships on other than training maneuvers or cruises.

## TITLE III

*Responsibility and Rank*

Article 9. Each member of the Group shall serve with the Group with the rank, grade or rating he holds in the United States Army, Navy or Marine Corps and shall wear the uniform of his rank, grade or rating in the United States service.

Article 10. Members of the Group shall be subject to applicable United States Army and Navy regulations.

Article 11. No member of the Group shall assume duties as a result of which he will be responsible to the Government of the Republic of China.

## TITLE IV

*Compensations and Prerequisites*

Article 12. All members of the Group shall be on active duty and shall be paid regularly authorized pay and allowances by the Government of the United States of America, in addition to a special allowance to compensate them for increased cost of living. This special allowance shall be based upon a scale agreed upon by the Governments of the United States of America and the Republic of China which shall be revised periodically in the light of price and exchange rate fluctuations. Salaries and allowances shall normally be paid in United States dollars. In the event that both Governments agree at any time that it is desirable that payments to members of the Group be made in whole or in part in Chinese currency rather than in United States dollars, the Chinese Government shall

make such currency available at an equitable rate of exchange to be agreed upon by the two Governments. No member of the Group shall be subject to the payment of any tax to the Government of the Republic of China or any of its political or administrative subdivisions upon compensation received as a member of the Group. If at present or while this Agreement is in effect there are any taxes which might apply to such compensation, such taxes shall be borne by the Chinese Government. The Government of the Republic of China shall reimburse the Government of the United States of America for expenses incurred in paying the special allowances provided for in this article. The special allowance shall be applicable for the entire period each member of the Group resides in China on duty with the Group, except as specified elsewhere in this Agreement.

Article 13. The Government of the Republic of China shall grant exemption from customs duties on materials, equipment, supplies and goods imported for the official use of the Group or the personal use of the members thereof and of members of their families, provided that their request for exemption from such duties has received the approval of the Ambassador of the United States of America or of the *Chargé d'Affaires*. Such material, equipment, supplies and goods shall not be subject to any Chinese excise, consumption or other tax, duty or impost. No export tax shall be charged on the material, equipment, supplies or goods mentioned above in the event of reshipment from China.

Article 14. The expenses of the cost of transportation of each member of the Group, his dependents, household effects and belongings to China from the United States of America or his last duty station, and from China to the United States of America or his next duty station shall be reimbursed to the United States of America by the Government of the Republic of China, except as otherwise provided in this Agreement.

Article 15. Members of the Group shall be entitled to compensation for expenses incurred in travel in the Republic of China on official business of the Group. Such expenses shall be reimbursed to the Government of the United States of America by the Government of the Republic of China except for expenses of travel by transportation facilities of the Group, the total cost of which is reimbursed by the Government of the Republic of China as provided in Article 28.

ARTICLE 16. The term of duty for members of the Group shall normally be two years. If the Government of the United States of America shall recall any member of the Group before the termination of the two-year term of duty except for reasons set forth in Articles 4 and 5 of this Agreement, expenses incident to such transfer shall not be reimbursed to the Government of the United States of America by the Government of the Republic of China.

Article 17. If any member of the Group, or any member of his family, dies in the Republic of China, the Government of the Republic of China shall reimburse to the Government of the United States of America the costs incident to the transportation of the body to such place in the United States of America as the surviving members of the family may decide, but the cost to the Government of the Republic of China shall not exceed the cost of transporting the remains from the place of decease to New York City. Should the deceased be a member of the Group, his services with the Group shall be considered to have terminated fifteen (15) days after his death.

## TITLE V

### *Requisites and Conditions*

Article 18. The decision as to what supplies, services, facilities and equipment are necessary for the Group shall be made in consultation with the appropriate Chinese authorities. The Government of the Republic of China shall provide, however, without cost to the Group, suitable living quarters for personnel of the Group and their families and suitable buildings and office space for use in the conduct of the official business of the Group. All living and office quarters shall conform to the standards prescribed by the United States military services for similar quarters. Official supplies and equipment of American manufacture required by the Group shall be furnished by the Government of the United States of America which shall be reimbursed for the cost thereof by the Government of the Republic of China. Official supplies and equipment of other than American manufacture shall be provided without cost to the Group by the Government of the Republic of China. The cost of all services required by the Group, including compensation of locally employed interpreters, clerks, laborers and other personnel, except personal servants, shall be borne by the Government of the Republic of China. Such services may, by agreement between the Group and appropriate Chinese authorities, either be supplied by the Government of the Republic of China or be obtained directly by the Group.

Article 19. All communication between the head of the Government of the Republic of China and the Group shall be through the Ambassador of the United States of America to the Republic of China or, in his absence, the Chargé d'Affaires. The Chairman of the Group and his appropriate subordinates shall have direct access to the appropriate Chinese civil and military officials on matters pertaining to their respective responsibilities in the Group.

Article 20. The Government of the Republic of China shall maintain a suitable balance on deposit with the Federal Reserve Bank of New York as fiscal agent of the United States of America against



which the Government of the United States of America shall be authorized to draw in reimbursement for expenses incurred under Articles 12, 14, 15, 17, 18 and 28 of this Agreement. The Federal Reserve Bank of New York shall periodically furnish the Government of the Republic of China with appropriate statements covering the amounts drawn against this balance.

Article 21. The service courts and authorities of the Government of the United States of America shall have the right to exercise exclusive jurisdiction over all offenses which members of the Group may commit in the Republic of China. If any cases arise in which the service authorities of the Government of the United States of America prefer not to exercise such jurisdiction, a written statement to that effect shall be sent to the Government of the Republic of China through diplomatic channels after which the Chinese authorities shall be free to exercise jurisdiction.

No member of the Group shall be subject to the jurisdiction of Chinese civil or administrative courts with respect to any act or omission which, as determined by the Chairman of the Group, occurred in the course of his official duties.

Article 22. So long as this Agreement, or any extension thereof, is in effect the Government of the Republic of China shall not engage or accept the services of any personnel of any third government for duties of any nature connected with the Chinese armed forces, except by mutual agreement between the Government of the United States of America and the Government of the Republic of China.

Article 23. The Group shall extend advice and assistance only to such units of the Chinese armed forces as may be agreed upon by the two Governments.

Article 24. As part of the Group program the Government of the Republic of China shall be permitted to send selected students to ground, naval, and air technical schools in the United States. Such students shall be subject to the same regulations as are United States students and may be returned to China without substitution for violation thereof. Numbers and detailed arrangements shall be mutually agreed upon and shall be kept at a minimum for essential requirements. All Chinese requests for military training of Chinese personnel in the United States shall be submitted only through the Group. The procurement of the requisite interpreters to enable training to be initiated shall be undertaken by the Government of the Republic of China as a matter of high priority.

Article 25. Military equipment necessary in connection with Group programs shall be provided from United States and Chinese sources insofar as practicable and the Government of the Republic of China shall purchase arms, ammunition and military equipment from powers

other than the United States of America only on the basis of mutual agreement between the Government of the United States of America and the Government of the Republic of China. The Government of the Republic of China shall procure United States military equipment and supplies only as agreed by appropriate United States governmental agency.

Article 26. Disclosures and exchanges of classified military equipment and information of any security classification to or between the Government of the United States of America and the Government of the Republic of China will be with the mutual understanding that the equipment and information will be safeguarded in accordance with the requirements of the military security classification established thereon by the originating Government and that no redisclosure by the recipient Government of such equipment and information to third Governments or unauthorized personnel will be made without specific approval of the originating Government.

Article 27. In places where United States medical personnel and facilities are not available, the Government of the Republic of China shall provide suitable medical attention and, upon request shall evacuate patients to such place in China as United States medical facilities may be available.

Article 28. Necessary transportation and communications for the internal administration of the Group may be furnished by the Government of the United States of America in accordance with requirements. Expenses incurred under this article shall be reimbursed to the Government of the United States of America by the Government of the Republic of China in accordance with the procedure prescribed in Article 20.

Article 29. As part of the program of the Group, the Government of the Republic of China agrees to establish in China a Service School System including Technical Schools for the training of selected Chinese personnel.

Article 30. Articles 24, 25 and 26 of this Agreement shall not become effective until notice is given by the Government of the United States of America to the Government of the Republic of China that legislative authority to carry out the provisions thereof has been obtained. The executive branch of the Government of the United States of America agrees to use its best efforts to obtain the enactment of such legislation.

IN WITNESS WHEREOF, the undersigned,  
..... and .....  
duly authorized thereto, have signed this Agreement in duplicate,  
in the English and Chinese languages, in Nanking, this . . day of  
. . . . . one thousand nine hundred forty-six.

893.20 Missions/4-2546 : Telegram

*The Acting Secretary of State to the Ambassador in the Soviet Union  
(Smith)*

WASHINGTON, June 17, 1946—7 p. m.

1111. Provided Emb perceives no objection it should reply to Vyshinski letter (Embtel 1327, Apr 25) substantially as follows:

Chinese Govt in Sept 1945 asked assistance of American military personnel in training and reorganization of Chinese armed forces. During World War II a limited number of such forces had already been trained, armed and equipped from American resources for anti-Japanese operations. In Mar 1946 there began to assemble at Nanking a small group of American officers and enlisted personnel, selected for Advisory Mission from among those released by demobilization of American armed forces in China. Since that date other officers and enlisted personnel have reported for duty from time to time. Although preparation and planning are underway in China, formal activation of project is awaiting conclusion of formal agreement with Chinese authorities. Meantime officers and enlisted personnel already assembled for Mission now employed to aid General Marshall in his effort to terminate hostilities in China.

“Projected Military Advisory Group is being organized to assist in training staff officers and personnel in service schools and academies and to advise higher staffs in organization training matters. This joint Army-Navy group will be limited to number required to perform functions outlined above. According to present plans Group will not exceed 1000 officers and men including naval personnel.”

ACHESON

893.20 Mission/7-146 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

NANKING, July 1, 1946—9 a. m.

[Received 9 : 10 a. m.]

1073. The Ministry of Foreign Affairs has informed Embassy that it has found the draft agreement for U. S. Military Advisory Group to China (contained in the Dept's instruction No. 546, May 1) “on the whole acceptable”. It suggests, however, the following alterations:

(1) That article 19 be redrafted to permit the Generalissimo to have right of ready access to the chairman of the Group, it being understood that Ambassador would always be kept informed. As a result of subsequent discussion in which Embassy explained the reason for the insertion of this article, the Foreign Office suggested that the words “all communications” might be modified. It seems likely that the phrase “all formal communications” would be acceptable;

(2) That article 21 contain a provision to the effect that Chinese Government reserves the right to ask for the recall of any member of the advisory group “in cases of special incompetence or serious violations of Chinese law”;



(3) That article 22 and 23 be deleted since "both of these articles would constitute limitations on Chinese sovereignty which cannot be intended by the U. S. Government; furthermore the handling of matters of this nature will in practice be guided by the spirit of good will and cooperation underlying the proposed agreement".

General Marshall is of the opinion that the Chinese counter-proposals are reasonable and proper and that it would be in our Government's interest to accept them forthwith.

Please instruct.

SMYTH

893.20 Mission/7-146 : Telegram

*The Acting Secretary of State to the Embassy in China*

WASHINGTON, July 8, 1946—7 p. m.

418. Provided General Marshall concurs, Emb authorized to make comments as follows on Chinese suggestions re alterations of draft agreement (Embtel 1073, Jul 1) :

(1) Following is suggested substitute Article 19 :

"All communications relating to policy between the Chinese Govt and the Group shall be directed through the Ambassador of the United States of America to the Republic of China or, in his absence, the Chargé d'Affaires. This provision shall not be interpreted to preclude free communication between the Chairman and members of the Group and appropriate Chinese officials on technical matters pertaining to the functioning of the Group."

Comment: In view of restricted interpretation which could be given to phrase "all formal communications," its use might tend to defeat this Govt's expressed desire to have centralized policy control of all American activities in China rest with Ambassador.

(2) Dept feels that suggested provision re recall of unacceptable members of Group might appropriately be included in Article 16 by insertion of following sentence at end thereof :

"The Chinese Govt reserves the right to ask for the recall of any member of the Group in cases of incompetence or serious violation of Chinese law."

(3) A. Dept would prefer to retain Article 22 for following reasons: (1) Similar articles appear in military mission agreements with Brazil,<sup>47</sup> Bolivia,<sup>48</sup> Colombia<sup>49</sup> and a number of other countries, and were this article eliminated, other countries concerned might cause

<sup>47</sup> January 17, 1941, Department of State Executive Agreement Series (E.A.S.), No. 202, or 55 Stat. (pt. 2) 1225.

<sup>48</sup> August 11, 1942, E.A.S., No. 267, or 56 Stat. (pt. 2) 1583.

<sup>49</sup> May 29, 1942, E.A.S., No. 250, or 56 Stat. (pt. 2) 1483.

embarrassment by asking that comparable provisions be eliminated from their agreements; and (2) it is considered desirable for Chinese to accept principle of exclusive US assistance even though in practice article would give us no added advantage, as in final analysis our only recourse to Chinese insistence on engaging third power assistance would be termination of agreement, authority for which is already contained in Article 4. Present wording of article preferred, but there is no objection to considering alternative wording more acceptable to Chinese. If Chinese insist, deletion will be considered, but Dept would desire obtain War and Navy concurrence before authorizing.

B. Dept perceives no objection to deletion of Article 23. Selection of individual units to receive assistance and advice would, in any case, be the subject of negotiations between the Chinese and American authorities directly concerned, and US could in practice refuse assistance to unapproved units.

At instance of Navy Emb requested at appropriate time in course of negotiations to make following amendments to draft agreement:

Article 17. Final sentence should read as follows: "Should the deceased be a member of the Group, for special allowance purposes his services with the Group shall be considered to have terminated fifteen (15) days after his death."

Article 25. First sentence should be broken up into two sentences, the first sentence ending in third line with word "practicable," the next word "and" being deleted and the second sentence beginning with words "The Government".

ACHESON

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893.20 Missions/7-1346

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

NANKING, July 13, 1946—10 a. m.

[Received July 13—8:39 a. m.]

1132. Reference Department's 418, July 8. Generalissimo has previously stated he desires that American type organization, American type training, and American type staff procedure be adopted for his armed forces, and General Marshall believes this should be sufficient to establish Generalissimo's desire for solely American assistance. In view of Generalissimo's statement, the Chinese feeling that article 22 would constitute limitation on Chinese sovereignty, and fact that handling of this matter would be guided by spirit of goodwill and cooperation, General Marshall considers that article 22 should be deleted without further discussion of point with Chinese. It is requested Department obtain War and Navy concurrence and that authorization be telegraphed Embassy as soon as possible.

SMYTH

Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter to General Marshall*

[WASHINGTON,] 18 July 1946.

94850. Although they are most reluctant to nonconcur in your views on Article 22 of the proposed draft agreement on MAG reference Nanking's 1132 of 13 July, War and Navy are greatly disturbed at the implications of omitting the article. While the good intentions of the Generalissimo to utilize American type organization and procedure are not questioned, it is the view of War and Navy that Chinese would use desires of other governments to furnish military aid as lever to increase magnitude of assistance from the U. S. beyond that which would otherwise be in the best U. S. interest. In this connection, the Sino-Soviet Treaty of 14 August 1945<sup>50</sup> contains in exchange of notes related thereto a record of an understanding that the Government of the USSR will render to China moral support and aid, military supplies and other material resources. There appears to be a definite possibility of present or future connection between this agreement with Russia and the Chinese reluctance to agree to Article 22 as now proposed. State Department continues to hold views expressed in paragraph 3 (a) of State telegram no. 418 of 8 July.

This matter has not yet been taken to highest levels of State, War and Navy, but the feeling is so strong down the line that it appears desirable to acquaint you accordingly. It is suggested that a compromise consisting of a separate special agreement or a pertinent exchange of notes might be an acceptable substitute. State is withholding reply to Nanking's 1132 until your comment is received.

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Colonel Marshall S. Carter*

NANKING, 26 July 1946.

1182. Reconsideration of deletion of article 22 leads me to same conclusion as before. Your 18 July msg refers. Neither I nor Smyth and Butterworth<sup>51</sup> see the desirability of retaining the article. In fact we concur with the Chinese that its retention violates Chinese sovereignty. Actually I am more concerned in anti-American reaction should the article, either included in the contract or in a separate agreement, become widely known. It is almost bound to become public.

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<sup>50</sup> United Nations Treaty Series, vol. 10, p. 300; Department of State, *United States Relations With China* (Washington, Government Printing Office, 1949), p. 585.

<sup>51</sup> William Walton Butterworth, Minister-Counselor of Embassy in China.



As a matter of fact the contract contains terms which would gain the same effect anyway. Should the Chinese accept assistance from another power which assistance is detrimental to U. S. or the functioning of MAG, the contract can be terminated by United States. Do you think you can swing the proposition with State, War and Navy?

I am also of the opinion that we should go ahead with the contract in spite of my recent views on the China Aid Bill.<sup>52</sup> MAG can continue under President's war powers<sup>53</sup> and be all set to operate if the idea of advising and assisting the Chinese Govt continues to fit in with U. S. policy. If it does not, again the contract can always be terminated by the U. S.<sup>54</sup>

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893.20 Mission/8-546 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, August 5, 1946—1 p. m.

[Received August 5—6:30 a. m.]

1261. General Marshall wishes negotiations for draft agreement to be completed though signature will be deferred until time is appropriate. Accordingly Embassy has taken up with FonOff<sup>55</sup> proposed changes as contained in Deptel 418, July 8, 7 p. m.

Apparently typographical error has entered into exchanges between Department and Embassy. It is not articles 22 and 23 that both Chinese Government and General Marshall wish deleted, but articles 22 and 25. Accordingly Embassy has omitted mentioning article 23. Please accord permission to omit article 25.

STUART

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893.20 Missions/8-546 : Telegram

*The Acting Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, August 13, 1946—5 p. m.

602. 1. Bills providing for military assistance to China and for military missions to foreign Govts<sup>56</sup> not passed this session Congress

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<sup>52</sup> See telegrams Nos. 1164, July 22, and 1173, July 24, pp. 753 and 755, respectively.

<sup>53</sup> First War Powers Act approved December 18, 1941 (55 Stat. 838) and Second War Powers Act approved March 27, 1942 (56 Stat. 176) ; further legislative authorization for detail of United States military and naval missions to foreign governments contained in "An Act to authorize the President to detail officers and enlisted men of the United States Army, Navy, and Marine Corps to assist the governments of the Latin-American Republics in military and naval matters", approved May 19, 1926, as amended May 14, 1935 and October 1, 1942 (44 Stat. 565; 49 Stat. 218; 56 Stat. 763; and 34 U. S. C. 441a).

<sup>54</sup> Telegram No. 520, July 26, 7 p. m., to the Embassy in China, stated: "Dept and War and Navy concur in deletion of article 22 of Military Group Agreement on basis outlined in reference message" telegram No. 1132, July 13 (893.20M/7-1346).

<sup>55</sup> Foreign Office.

<sup>56</sup> H. R. 6795 (S. 2337) and H. R. 5433 (S. 1847), respectively.

(Urtel 1261, Aug. 5). If draft agreement is to be signed before passage enabling legislation Chinese Govt should be informed that legislation in question has not yet been passed; that President under war powers has authority to detail members of the Group for service China but such authority will cease whenever war powers are terminated; and that in event war powers are terminated and enabling legislation has not been passed this Govt would have forthwith to recall entire personnel of Group as provided under Article 4 (b) and that period 5 years mentioned Article 2 is to be understood as contingent on this situation.

2. Dept understands that Article 23 will be retained in draft agreement.

3. Dept authorizes deletion Article 25.<sup>57</sup>

4. War and Navy concur.

ACHESON

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Marshall Mission Files, Lot 54-D270 : Telegram

*The Commander of the Seventh Fleet (Cooke) to the Chief of  
Naval Operations (Nimitz)*

13 SEPTEMBER 1946.

DTG 131331Z. CNO 042134Z.<sup>58</sup> 1. RAdm Murray<sup>59</sup> contacted Gen Marshall regarding terms and methods for Naval Advisory Group contract. U. S. Embassy has recommended to Gen Marshall that an additional article 30-1 be added at end of original proposed contract for MAG dated April 29, which has already been processed, and no other changes be made except modifications of arts 16, 17 and 19 plus deletion of arts 22 and 25 which changes have already been approved by SWNCC. This contract has been under consideration of Chinese since May. New art 30-1 to read:

"This agreement shall be understood to take effect as regards the Navy component from the date of the enactment in the United States of the enacting legislation and as regards the Army component from the date of the enactment in the United States of the corresponding enacting legislation. It is also understood that should such acts not be passed before the expiration of the war powers of the President of the United States, personnel concerned would have to be recalled as provided for in article 4".

2. Gen Marshall stated that while he preferred Embassy method of adding art 31 to the MAG contract to make it effective for the

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<sup>57</sup> An *aide-mémoire* of August 16 informed the Chinese Government that deletion of article 25 as well as article 22 was authorized.

<sup>58</sup> Telegram of September 4, not printed.

<sup>59</sup> Rear Adm. S. S. Murray, 7th Fleet Liaison Group at Nanking.

Navy, he did not object to contract for Navy Group only as he considered such contract would not have any effect on his present negotiations.

3. Butterworth of Embassy states he could add new art 31 to present contract but would require new directive from State Dept to negotiate contract for Navy Group only, also states that while present contract with additional Article could be defended in case of political repercussion in U. S., since it had been under negotiation since May, a new contract for the Navy only might be open to criticism at this time due to Chinese political situation.

4. I consider proposed art 31 undesirable and inappropriate since it carries the presumption without full assurance the Congress will pass certain legislation in the future, also proposed article would antedate Navy Group to July 16 and appears on surface to have been one of original articles whereas actually it has not yet been submitted to Chinese. I believe that a separate contract for Navy Group only will cause less confusion to Chinese and be more straight-forward. When necessary legislation for Navy Advisory Group is passed, Navy contract may be superseded by 1 contract covering the combined group. An advantage of this method would be that it opens way for contract changes as may be found desirable after being in effect for a few months. Chinese Govt has not been approached regarding either method of making the contract, as it is considered best to agree first among ourselves on type of contract to be used.

5. I recommend that the proposed contract dated April 29 with changes already approved as noted in para 1 be adopted for Navy Group only, without any changes in terms or conditions, by deleting all references to Army, Air and Ground Forces and substituting Naval for Military Force appearing in the contract plus additional pertinent changes in wording. Specifically these changes would be as follows:

*a.* In title line change Military to Naval.

*b.* Top paragraph after "America has authorized" add "in accordance with Public Law 512". Change Military Advisory Group to Naval Advisory Group.

*c.* Art 1 change to read: "The purpose of the Group shall be to assist and advise the Chinese Govt in the development of a modern Naval Force for the fulfillment of the obligations which may devolve upon China under her international agreements including commitments assumed under the United Nations".

*d.* Art 2 delete "for a period of 5 years". After "Republic of China" add "to July 15, 1951".

*e.* Art 6 change "Military personnel, initially not to exceed 9,000" to read "Navy and Marine Corps personnel not to exceed 300".

*f.* Art 7 change to read: "The Group shall be headed by a flag officer of the United States Navy".

*g.* Art 8 delete words "Ground, Air,".



- h. Art 9 delete "Army."
- i. Art 10 delete "Army and".
- j. Art 19 change chairman to head.
- k. Art 21 second paragraph change chairman to head.
- l. Art 24 change "students to Ground, Naval, and Air Technical Schools" to read "students to Naval Technical Schools".
- m. Delete art 30 (Public Law 512 covers this for the Navy).

6. I further recommend that State Dept be requested to direct Embassy, Nanking, by despatch to negotiate Navy contract as set forth in para 5 above.

7. Gen Marshall has by hand.

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893.20 Mission/9-1446 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, September 14, 1946—2 p. m.  
[Received 9:40 p. m.]

1483. Shortly Navy Dept will approach Dept regarding subject matter of Chief of Naval Operations 231707Z [231507Z],<sup>60</sup> 7th Fleet Liaison Officer, Nanking, 300116Z,<sup>61</sup> and subsequent interchanges regarding activation of Naval Advisory Group (Deptel 602, Aug. 13, 5 p. m.).

With completion of Japanese evacuation from north China, 7th Fleet has had no *locus standi* in Tsingtao; although Army enabling legislation for advisory group China did not pass last session Congress, Navy's did and approved July 16.<sup>62</sup> As means of meeting situation, details of which problem Navy Dept. will supply, I have drafted following article for possible inclusion in agreement now under negotiation:

"This agreement shall be understood to take effect as regards the Navy component from the date of the enactment in the United States of the enabling legislation and as regards the Army component from the date of the enactment in the United States of the corresponding enabling legislation. It is also understood that should such acts not be passed before the expiration of the war powers of the President of the United States, the personnel concerned would have to be recalled as provided for in article IV."

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<sup>60</sup> Telegram of August 23, not printed.

<sup>61</sup> Telegram of August 30, not printed.

<sup>62</sup> H. R. 5356, 79th Congress, bill to provide assistance to the Republic of China in augmenting and maintaining a naval establishment and for other purposes, introduced on February 4 by Congressman Carl Vinson, Chairman of House Naval Affairs Committee (*Congressional Record*, vol. 92, pp. 866 (pt. 1), 1106 (pt. 1), and 10104 (pt. 8)); Public Law 512, approved July 16, 1946 (60 Stat. 539).

I have informed Admiral Murray that Embassy will upon receipt of instructions from Dept either proceed to negotiate separate arrangements for Naval Advisory Group or act on lines suggested above.

I would recommend some such procedure as suggested above since it would avoid initiating bare faced action at a time when fighting is fairly general and it would also avoid underlining the somewhat anomalous status of the Military Advisory Group here.

STUART

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893.20 Mission/9-1446 : Telegram

*The Acting Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, September 19, 1946—8 p. m.

768. Although Navy would prefer agreement covering naval contingent only (Embs 1483, Sept 14), War would wish combined agreement which with appropriate modifications would formalize existing functions of both contingents. Dept hopes to reconcile apparent divergency but would wish to have a more complete statement of views of Emb, in consultation with General Marshall. Dept does not understand clearly sense of final paragraph ref telegram especially phrase "barefaced action".

Has Chinese Govt accepted suggested alterations in Articles 16, 17 and 19 of draft agreement (Deptel 418, July 8) ?

It was Dept's understanding that draft agreement now in hands of Chinese Govt was to become effective upon date of signing based upon President's Emergency War Powers and/or actual existence of Enabling Legislation (Deptel 602, Aug. 13), Articles 24 and 26 excepted. Accordingly the necessity of introducing a new Article XXXI as proposed in Com Seventh Fleet's CNO 043124Z, Sep 15<sup>63</sup> is not clearly understood since such an agreement would not permit the Army Advisory Group to commence formal operations until passage of Enabling Legislation.

Dept is inclined to question advisability of concluding any formal agreement with Chinese Govt at this stage because of possible compromise to General Marshall's negotiations and probable adverse public reaction here under present conditions of civil strife in China. However, Dept is withholding judgment pending receipt of Emb's recommendations, coordinated with General Marshall.

CLAYTON

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<sup>63</sup> Apparently a reference to telegram No. 131331Z, September 13, from the Commander of the 7th Fleet, p. 842.

893.30 Mission/9-3046 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, September 30, 1946—9 a. m.

[Received 9:57 a. m.]

1562. As indicated in telegram from SevFleet liaison officer Nanking No. 3001616Z [300116Z],<sup>64</sup> General Marshall gave approval to activation of Naval Advisory Group but desired minimum publicity when activated. He did so on sole basis that such action would not seriously affect his mission and he did not name a specific date.

The situation of the SevFleet at Tsingtao is as indicated in Embassy's 1483, September 14, 2 p. m. The future Naval Advisory Group, Tsingtao, is now in process of training some 1200 Chinese officers and men who will man one tanker and 18 varying types of landing craft which are being turned over in the next couple of months. Training for combat ships should begin thereafter and should be on a *de jure* basis.

Embassy fully shares doubts of Department mentioned in final paragraph of its 768, September 19, 8 p. m., of desirability of concluding any formal agreement with Chinese Government on these matters at this time, particularly in view of international developments. It did not favor embarking on a Naval Advisory Group Agreement and therefore, as the lesser of two evils, advocated tying such an arrangement into the previously initiated general agreement. It now recommends, with General Marshall's concurrence, deferring action until after meeting of the Chinese National Assembly on November 12.

However, Embassy should be in a position to act promptly thereafter. The most desirable course, if circumstances permit, would be to conclude a combined agreement in the sense of the penultimate paragraph of Deptel 768, September 19, 8 p. m. Embassy requests a draft of an article covering this point. Incidentally, Chinese would certainly prefer a combined agreement.

If such an agreement should not be regarded as politically expedient at that time and the exigency of the SevFleet's position at Tsingtao nevertheless required that the Naval Advisory Group in any case be activated, it is recommended that the article to be added be so drafted as to emphasize Congressional responsibility by setting the date of coming into force as that of enactment of enabling legislation. It is likely, in the Embassy's opinion, that the activation for Naval Advisory Group will attract little attention as compared with similar activation for Army Advisory Group.

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<sup>64</sup> Telegram of August 30, not printed.



No difficulties are anticipated in obtaining Chinese acceptance of articles 16, 17, and 19 since the reaction of Foreign Office upon presentation was favorable.

STUART

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893.20 Missions/10-2446 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 24, 1946—4 p. m.

[Received 5 p. m.]

1730. Foreign Office has given Embassy following draft of "agreed minutes" which it suggests be attached to the US Military Advisory Group agreement, indicating that it believed that these *pro forma* or minor procedural points could best be made without changing the wording of the agreement itself:

"1. With reference to article 4 (b) it is understood that a notice shall be given to the Chinese Government prior to the recall of the entire personnel of the group by the Government of the US.

2. With reference to article 13, it is understood that request for exemption from customs duties on material, equipment, supplies and goods imported for official use of the group or the personal use of the members the group and of members of their families, after having been approved by the Ambassador of the US, shall be transmitted to the Chinese Ministry of Foreign Affairs with a view to issuing instructions to the Chinese customs authorities. Previous notices shall be given to the Chinese Ministry of Foreign Affairs in the event that such material, equipment, supplies and goods as mentioned above are reshipped from China.

3. With reference to article 21, it is understood that, in cases involving Chinese nationals, the Chinese Government shall be informed through diplomatic channel of actions taken by the American service courts and authorities."

Foreign Office questioned as to acceptability of articles 16, 17 and 19 as redrafted (Deptel 418, July 8, 7 p. m., and subsequent telegrams), made typical reply that in its opinion suggested change[s] were acceptable to Chinese Government but that Ministry National Defense would not wish to commit itself unnecessarily far in advance of signature.

STUART

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893.20 Missions/10-2446 : Telegram

*The Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, October 30, 1946—8 p. m.

964. Dept has revised slightly draft Military Advisory Group agreement with new final article which would authorize withdrawal

of army contingent in event expiration of President's emergency powers prior to passage of implementing legislation. As soon as draft is cleared with Army and Navy it will be forwarded to Emb for presentation at appropriate time to Chinese authorities.

Dept perceives no particular objection to substance of "agreed minutes" (Embtel 1730, Oct 24) but believes these and any remaining minor procedural points might be best cleared up by exchange of notes.

BYRNES

Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to the Commander of the Seventh Fleet (Cooke)*

[NANKING,] 17 December 1946.

1880. Reference our conversation on [naval and army] Advisory Group contract.<sup>65</sup> I found out after our discussion that delay is in Washington and not here as I had originally thought. In view of the fact pressure by me in Washington at this particular moment would be inconsistent with possible governmental action I told you about and because of adverse publicity resulting in conclusions of contract, I have now decided to withhold action for the time being.<sup>66</sup>

#### V. INACTIVATION OF CHINA THEATER; INCIDENTS INVOLVING UNITED STATES FORCES IN CHINA;<sup>67</sup> GRADUAL WITHDRAWAL FROM CHINA OF UNITED STATES MARINES

Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall*<sup>68</sup> *to the Chief of Staff (Eisenhower)*

CHUNGKING, 23 February 1946.

231. Please transmit following to Chiefs of Staff with copy to Sec State.

<sup>65</sup> Minutes of meeting between General Marshall and Admiral Cooke at Nanking on December 16, not printed; General Marshall stated at that time that this agreement would become effective under Public Law 512 so far as the Navy was concerned and under the President's war-time powers so far as the Army was concerned.

<sup>66</sup> According to minutes of a meeting between General Marshall and Minister-Counselor Butterworth on December 17, "Mr. Butterworth stated that the contract for the Advisory Group was still under consideration by the State, War, and Navy Departments, and that without further authority from the State Department he could not take steps to conclude the contract" and he "also stressed the damaging publicity which would result with the signing of the contract at this time."

<sup>67</sup> For correspondence regarding attack by Chinese Communists upon United States Marine convoy at Anping, July 29, 1946, see vol. ix, pp. 1418 ff., and especially final report dated October 8, *ante*, p. 320.

<sup>68</sup> General of the Army George C. Marshall, Special Representative of President Truman in China.

General Wedemeyer<sup>69</sup> will shortly propose inactivation of China Theater May 1st. Matters thereafter can be readily handled on a temporary basis by MAG<sup>70</sup> and Seventh Fleet. I regard this action as very important to my mission as demobilization and integration procedure of Chinese Armed Forces carries Executive Headquarters<sup>71</sup> action into Manchuria.

In the same connection, I am hopeful that I may be justified in proposing start of withdrawal of all Marines except Transport Air, housekeeping and small guard details, at an early date, possibly April 1st. Growing Manchurian crisis with its inevitable effect on Kuomintang distrust of Communist purposes or good faith complicates my problem and position in this matter.

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Marshall Mission Files, Lot 54-D270 : Telegram

*The Secretary of State to General Marshall*

[WASHINGTON,] 27 February 1946.

98685. Reurad 231.<sup>72</sup> In view of the publicity that is being given presence of foreign troops in Manchuria and China and in order to anticipate possible statement from Moscow playing up Soviet proposal<sup>73</sup> during Moscow Conference for simultaneous withdrawal of Russian and American forces by January 15th, I should like to make a statement as soon as possible regarding our plans for deactivation of the China Theater and withdrawal of American Marines from North China. I would not mention the specific dates contained in your 231 of February 23 unless you considered it advisable to do so, but would limit myself to some general statement such as that plans were under way for the early deactivation of the theater and withdrawal of Marines. I would make the suggested statement, of course, only if assured by you that it would not prove embarrassing to you in your mission and therefore would appreciate receiving your early comment.<sup>74</sup>

[BYRNES]

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<sup>69</sup> Lt. Gen. Albert C. Wedemeyer, Commanding General, U. S. Forces, China Theater.

<sup>70</sup> Military Advisory Group; for further correspondence, see pp. 810 ff.

<sup>71</sup> Established at Peiping to supervise cease-fire arrangements; see vol. ix, pp. 1 ff.

<sup>72</sup> *Supra*.

<sup>73</sup> See memorandum of December 21, 1945, concerning American armed forces in China submitted by the Soviet delegation at the Moscow Conference of Foreign Ministers, *Foreign Relations*, 1945, vol. vii, p. 844.

<sup>74</sup> In reply, telegram No. 279, March 5, General Marshall stated: "Proposed statement indicated in 98685 agreeable to me."



Marshall Mission Files, Lot 54-D270: Telegram

*Lieutenant General Albert C. Wedemeyer to the Chief of Staff  
(Eisenhower)*

SHANGHAI, 8 March 1946.

25154. 98684<sup>75</sup> refers. General Marshall and I have conferred personally and he concurs in this message. In addition to that stated below he points out that any State Department objection that seems to be anticipated by the War Department is now nullified by the Secretary of State's expressed desire to accomplish and publicize early the inactivation of the China Theater (see 98685<sup>76</sup>).

Although answers follow herein covering specific questions you have raised, first I desire to provide a résumé of the situation and operation as envisaged. It has always been my feeling shared by members of the Staff that the China Theater of Operations could be inactivated about midsummer. In fact I had set July 1 as a planning date. Recently in Chungking the President's Special Envoy, General Marshall, suggested that an earlier inactivation of China Theater might make a strong contribution in the solution of the international problem presented by the presence of Russian troops in Manchuria. I agreed with General Marshall and told him that my Staff would initiate an immediate study to determine implications of closing China Theater by 1 May. This resulted in 24194<sup>77</sup> sent for War Department's approval and appropriate directions.

State Department's concern over Advisory Group having other functions than advice to the Chinese military and assistance in training matters is known. This headquarters is and has always been opposed to the permanent assignment of additional functions to the MAG. Nevertheless, I feel that inasmuch as USMAG will be the senior American headquarters representing the JCS<sup>78</sup> in China (although Seventh Fleet will be based in China waters), that it is not a breach of faith either with the Chinese Government or the American Government, more particularly the State Department if the advisory group is charged with overall supervisory duties of completing theater residual functions during the comparatively short interim period in question. However, as you will see from the brief outline below, the contemplated organization to perform the theater residual functions is so constructed that, if deemed advisable, the duties assigned to ComGenMAG,<sup>79</sup> could be taken over by (a) Executive Headquarters

<sup>75</sup> Telegram of February 28, not printed.

<sup>76</sup> *Supra*.

<sup>77</sup> Telegram of February 25, not printed.

<sup>78</sup> Joint Chiefs of Staff.

<sup>79</sup> Commanding General, Military Advisory Group.

at Peiping, (b) General MacArthur's <sup>80</sup> headquarters at Tokyo, or (c) Com Seventh Fleet.<sup>81</sup>

Briefly I propose a program as follows: after elimination of as many residual functions as possible, and assumption by the Navy of certain functions which by virtue of equipment and position they are best fitted to accept, I propose to reorganize my present Shanghai Port Command into a Shanghai Station Command which will take over to the largest extent practicable all operating functions remaining to United States Army Forces in this area. Transferred to the U. S. Military Advisory Group Headquarters will be overhead policies and administrative control matters, liaison with the Chinese Government, War Department, U. S. Navy and adjacent theaters. I contemplate leaving with U. S. MAG and Shanghai Station Command the necessary military personnel and civilians to permit them to carry out the added temporary responsibilities. This can be done and still effect a material saving with respect to the troop ceiling allocated to China Theater as of July 1. Likewise there will be a material reduction in the number of civilian employees required.

It should be noted particularly that I propose to make the minimum number of changes possible in the U. S. MAG organization by adding to it only those functions of a top control nature and creating under it an operational agency, the Shanghai Station Command, to relieve it of the immediate control of the added responsibilities until completion of those responsibilities permits MAG to confine itself entirely to normally assigned functions.

Specific answers to your 98684 are as follows:

a. Proposal does include abolition of Headquarters, China Theater and Headquarters, Army Air Forces, China Theater. At present there are no activities specifically to be taken over by MacArthur, although a possible exception might be prosecution of war criminals. Conferences are now in progress with representatives of Com Seventh Fleet to determine the specific activities to be accomplished by the Navy. In general terms they are:

1. Operational control of U. S. Marines in China.
2. Coordination with SCAP <sup>82</sup> of Japanese repatriated from China ports to ports in Japan.
3. Operational control of water movement of Chinese Military forces as directed by Joint Chiefs of Staff.

Reference your sub-paragraph b, the organization provided in the Shanghai Station Command plus liaison through the Military Advisory Group should adequately provide the necessary coordination required.

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<sup>80</sup> General of the Army Douglas A. MacArthur, Supreme Commander, Allied Powers in Japan.

<sup>81</sup> Commander of the U. S. 7th Fleet.

<sup>82</sup> Supreme Commander, Allied Powers in Japan.

Reference your sub-paragraph *c*, with the inactivation of the theater, liaison will be maintained for the period needed. Operational planning and other logistical assistance will be furnished to the Chinese through the Shanghai Station Command reorganized to complete this mission. All logistical assistance to the Chinese Army will cease 1 May 1946 except for delivery of supplies previously ordered. Delivery of these supplies will be made at North China or Manchurian ports. Operational logistical support to the Chinese Air Force will be gradually reduced to complete termination on 30 June 1946. The Shanghai Station Command will be staffed with sufficient qualified and experienced personnel to carry forward such residual activities of an operational nature as required.

Reference your sub-paragraph *d*, as stated by General Marshall in his 231<sup>83</sup> he is hopeful that he may be justified in proposing the start of the withdrawal of Marines except transport, air, housekeeping and small guard details at an early date, possibly April 1. If this is approved only housekeeping or residual functions coincident with closing out of all operations of the Marines will remain on 1 May or shortly thereafter. Admiral Cooke<sup>84</sup> advises that shipping, disposal of surplus property, and other factors will prevent withdrawal of all Marines by 1 May 1946. Those remaining in China on that date will be returned to CinCinPac<sup>85</sup> for command and operational control.

Reference your sub-paragraph *e*, ground logistical assistance will be completed 1 May (except for delivery of supplies previously ordered) and Air Force logistical assistance will be completed 30 June in China Theater. Major residual responsibilities existing after 1 May which will require liaison with the Generalissimo<sup>86</sup> are (1) advice and assistance to the Chinese Government in repatriation of Japanese;<sup>87</sup> (2) advice and assistance including logistical support in reoccupying and reassumption of control over that portion of China (including Manchuria) liberated from the Japanese; (3) continuation of the China Search and Graves Registration Program; (4) liaison with the Chinese Government on SCAP program for aerial mapping in China, including Manchuria;<sup>88</sup> (5) disposition of surplus property of this theater<sup>89</sup> with the question raised as to whether War Department authority will be given to turn over to the Chinese supplies now being held for a future Chinese Army and Air Force program.

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<sup>83</sup> Telegram of February 23, p. 848.

<sup>84</sup> Vice Adm. Charles M. Cooke, Jr., Commander, 7th Fleet.

<sup>85</sup> Commander in Chief, Pacific.

<sup>86</sup> President Chiang Kai-shek.

<sup>87</sup> For correspondence on this subject, see pp. 888 ff.

<sup>88</sup> For correspondence regarding mapping project, see pp. 1261 ff.

<sup>89</sup> For correspondence regarding surplus property, see pp. 1033 ff.



Proposed Navy and Army Liaison with the Chinese Government is through MAG. 91760 dated 6 January 1946<sup>90</sup> also requires that all such matters be cleared with General Marshall.

Reference your paragraph *f*, most of the functions remaining in the theater have been answered in previous paragraphs. The Shanghai Station Command would be the operational vehicle for the MAG to provide port facilities, for supply, to handle evacuation of American troops, personnel and supplies. Sufficient additional required personnel to prepare Chinese troops for movements and to effect any necessary transfer of supplies will be handled through this command. In view of the short period of continued support to the Chinese Forces, it is contemplated that current activities could easily be transferred to this agency.

Reference your paragraph *g*, you question benefits to be derived from inactivation while carrying on many important residual operational functions. This I have covered in part *supra*. With reference to the reactions of the Generalissimo to this proposal, it is considered that General Marshall can convince the Generalissimo that inactivation of the China Theater of Operations will increase the tempo of the withdrawal of the Russians from Manchuria, and if the Generalissimo is assured that the U. S. Forces remaining in China will complete the projects now being undertaken by the theater, the Generalissimo can have no valid objections to inactivation of the China Theater of operations.

To summarize, while it is true that operationally and administratively it might be easier to delay 60 to 90 days, I feel that the Russian-Manchurian question must be resolved satisfactorily and as early as practicable. Everything possible should be done to accomplish the prompt removal of Russian troops from Manchuria, and the early inactivation of China Theater of Operations may reasonably be expected to strengthen the Generalissimo's pressure on Soviet to remove their troops. I can, by taking action at this time, close out operational and logistical support of many agencies whose support by the U. S. Army facilities should be curtailed. Manpower and material savings accruing from this action will permit a significant saving in this area.

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Marshall Mission Files, Lot 54-D270

*Memorandum by the Director of the Office of Far Eastern Affairs  
(Vincent) to the Secretary of State*

[WASHINGTON,] March 8, 1946.

Attached is the text of your telegram to General Marshall,<sup>91</sup> of which you spoke last night, in regard to a statement to the press on

<sup>90</sup> Not printed.

<sup>91</sup> No. 98685, February 27, p. 849.

the deactivation of the U. S. Army China Theater and withdrawal of the Marines.

Although you have General Marshall's approval of such a release, I believe it would be advisable, for the reasons I mentioned last night (principally War Department concern over the matter) to withhold action until General Marshall arrives.<sup>92</sup>

I have talked with Ben Cohen<sup>93</sup> and he and I are in agreement that, when you do have the chance to discuss the matter with General Marshall, you endeavor to get his concurrence in issuing a statement which would give a date, or dates, for the deactivation and withdrawal. This, of course, will require consultation with the War Department, but Ben and I feel that the War Department should now be able to decide upon dates which can be made public and which would not be subject to change unless absolutely necessary due to important unforeseen circumstances. The dates should be as soon as practicable and certainly not later than June 30. If question arises with regard to our carrying out certain commitments to China with respect to transfer of Chinese troops and their logistic support, I am satisfied that our Naval units in China waters can discharge this responsibility, which now rests with the U. S. Army China Theater, in as much as sea transportation is the principal factor.

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893.00/3-1346

*Memorandum by the Director of the Office of Far Eastern Affairs  
(Vincent) to the Secretary of State*

[WASHINGTON,] March 13, 1946.

Subject: War Department telegram 25154.<sup>94</sup>

The attached telegram from General Wedemeyer discusses the problem of deactivating the China Theater by May 1. The General refers to certain "residual responsibilities" which will exist after May 1 and suggests that they be discharged (1) by a "China Station Command" working under the direction of the U. S. Military Advisory Group; (2) by Executive Headquarters at Peiping (established by General Marshall to handle Chinese truce and Army reorganization problem); (3) by General MacArthur's Headquarters at Tokyo; or (4) by the command of the 7th (U. S.) Fleet. We have a decided preference for either method (2) or (4), or a combination thereof. It is believed impracticable for General MacArthur to take over any operational duties in connection with the China Theater. With regard

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<sup>92</sup> General Marshall left China on March 11 to report to President Truman.

<sup>93</sup> Counselor of the Department of State.

<sup>94</sup> March 8, p. 850.

to the Advisory Group taking over operational duties, we have in the past expressed our disagreement with such an idea on the grounds that it is highly advisable that the Advisory Group not take upon itself operational duties even of a limited character. The character of these "residual responsibilities" (assistance in repatriating the Japanese, logistical support of Chinese troops, graves registration program, aerial mapping program in China, and disposition of surplus property) seem to indicate clearly that they could be discharged readily by General Marshall's Executive Headquarters and the 7th Fleet. The proposition of leaving behind a Shanghai Port Command staffed by the U. S. Army after deactivation is likely to lead to misunderstanding as to our intentions in deactivating.

With regard to the Marines, Admiral Cooke seems to think it practicable to have all or most of them out of China by May 1, leaving behind a small group of service troops to assist General Marshall's Executive Headquarters in Peiping.

It is understood that Admiral Cooke is opposed to the use of the Navy contingent of the Military Advisory Group for operational duties. It is also understood that he does not agree with General Wedemeyer's idea that the Military Advisory Group be made responsible to the J. C. S. here. We also have our doubts as to the advisability of J. C. S. assuming direction of the Advisory Group in as much as the J. C. S. is primarily an operational organization and we do not, as I have stated above, wish to have the Advisory Group have any connection with operations.

You may wish to discuss this matter with General Marshall.

J[OHN] C[ARTER] V[INCENT]

Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Lieutenant General Albert C. Wedemeyer*

WASHINGTON, 24 March 1946.

81922. Mr. Byrnes anticipates necessity for making statement in New York on Tuesday or Wednesday at meeting of Security Council <sup>95</sup> regarding reduction of American Command in China. This apropos of recent Soviet statement of withdrawal of Soviet troops from Manchuria by 15 April.<sup>96</sup> Also apropos of Mr. Byrnes statements regarding presence of American troops in China which he made in Moscow.<sup>97</sup>

Please rush reply to me as to recent status so far as your side of the matter pertains to close out of China theater by 1 May and commence-

<sup>95</sup> Of the United Nations.

<sup>96</sup> See telegram No. 552, March 23, 4 p. m., from the Counselor of Embassy in China, vol. ix, p. 595.

<sup>97</sup> Department of State *Bulletin*, December 30, 1945, pp. 1031, 1036.



ment of reduction of Marines by regiments on 1 April. I am taking this up with Hull<sup>98</sup> here to find out complications on this side.

It might be well for you to propose exact wording of statement by Mr. Byrnes. In the event that your Chief of Staff receives this in your absence, he must nevertheless give me reply without delay.

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Marshall Mission Files, Lot 54-D270 : Telegram

*Lieutenant General Albert C. Wedemeyer to General Marshall  
in Washington*

SHANGHAI, 25 March 1946.

26553. Present status with reference to early inactivation of China Theater follows. Message was sent to War Department (24194 dated 25 February 46<sup>99</sup> refers) indicating China Theater staff working on inactivation plans and requesting Joint Chiefs of Staff to alter existing Theater Directive to require inactivation on or about 1 May. The War Department reply (98684<sup>1</sup> refers) indicates concurrence in premise that Theater should be inactivated at an early date, however, requested additional information to insure that the target date 1 May is not premature. China Theater reply (25154 dated 8 March 1946 refers) provided additional information requested by War Department and reaffirmed my conviction that the Theater could be inactivated as of May 1st if prompt authorization were received from the Joint Chiefs of Staff.

I have received no instruction concerning inactivation of the Theater. We are planning continuously with the Navy so that we will be prepared to implement promptly the decisions rendered by Joint Chiefs of Staff. The delay in reaching such decisions has caused events to overtake us and it may now be impractical to inactivate the Theater as of May 1st. You may be certain that we will not vacillate or accept delay as a guiding principle but will go all out to inactivate on May 1st should we receive appropriate orders. I mention this to emphasize the urgency of a firm decision from the Joint Chiefs of Staff. Therefore the present status of early inactivation of China Theater remains in the planning stage. Personal conferences are continuing with Admiral Cooke.

I have also discussed the possibility of reduction of the Marine Force with General Rockey.<sup>2</sup> I explained your tentative plans that,

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<sup>98</sup> Lt. Gen. John E. Hull, Assistant Chief of Staff, Operations Division, War Department.

<sup>99</sup> Not printed.

<sup>1</sup> Telegram of February 28, not printed.

<sup>2</sup> Maj. Gen. Keller E. Rockey, Commanding General, U. S. Marine Third Amphibious Corps.

if the 1 May 1946 inactivation date were approved, the Marines would initially be reduced to a force of 1 regiment in Tientsin and 1 in Tsingtao and that gradually all other Marine Forces both air and ground, except limited administrative and logistical personnel, would be removed from China Theater, movement to be initiated about 1 April 1946. I also explained that the Tsingtao Marine Regiment would be evacuated by 1 July 1946. As approved by higher authority, Marine Force in China is now in process of evacuation 1 Fighter Group and reduction ground forces about one-third. It is apparent that at this late date we can not undertake this additional reduction the first part of April.

If we receive firm directive from the Joint Chiefs of Staff concerning this subject soon, appropriate orders for inactivation will be issued to subordinate commanders including the Marines.

The following factors are pertinent and some of them have been introduced subsequent to your departure from the Theater.

*a.* Soviet Russians are commencing retrograde movement within Manchuria, except for Port Arthur and Dairen where reinforcements are arriving. However this, in the opinion of the Generalissimo and Central Government officials, does not alleviate the situation, paradoxical as that may sound. The Generalissimo feels that he must accelerate the movement of armies already scheduled and approved for Manchuria and has now requested the movement of two additional armies to that area.

*b.* A conference of representatives from China Theater Headquarters and the Peking Executive Headquarters was held by General Gillem<sup>3</sup> in Nanking recently to consider personnel problems and allocation responsibilities (201530Z<sup>4</sup>). The minimum projected strength of your Executive Headquarters introduces additional personnel requirement, particularly for logistic support and training purposes.

*c.* On my recent tour in North China civilian and military officials, American, Chinese and other nationals emphasized that if the Marines were withdrawn from North China and the first-class National Government troops were not moved in promptly the coal mines at Tangshan and the communications net in the area would cease to function. There were predictions that sabotage of the mines would result in a 6 to 12 month delay in their operation. General Rockey feels that the Marines should not be withdrawn until and unless definitely effective Central Government troops are firmly established in key localities and installations prior to the withdrawal of his forces. I concur.

*d.* Military Advisory Group has not yet been officially created. In our inactivation plan we visualized assigning certain functions to Army Advisory Group on 1 May 1946, however that group may not

<sup>3</sup> Lt. Gen. Alvan C. Gillem, Jr., representing General Marshall in latter's absence from China.

<sup>4</sup> Not found in Department files.

be officially in existence on that day. I point this out to insure that pertinent negotiations between China and U. S. must be accelerated and finalized before 1 May 1946.

It is understood that inactivation on 1 May 1946 is based upon political desirability and not upon actual completion of present Theater missions by that date. We all recognize that initially at least what we are actually doing is changing the official designation of U. S. Forces in China instead of accomplishing a material reduction in personnel. The movement of the Marines which is really the only remaining combat force in the Theater could be accelerated possibly by the middle of April and thus give increased evidence of our good faith concerning the inactivation of China Theater of operations.

Following is suggested statement for Mr. Byrnes, assuming of course that the Joint Chiefs of Staff have approved the action indicated in the statement:

"The China Theater of Operations will be inactivated on 1 May 1946. As a result of this inactivation the only U. S. Forces, other than naval, remaining in China will consist of those required to dispose of surplus U. S. property, to complete assistance to the Chinese Government in the repatriation of the Japanese and in the movement of Chinese Armies and equipment and to participate in the operation of the Executive Headquarters at Peiping which was established by the President's Special Envoy, General Marshall, in connection with his important role of advisor and mediator in the negotiations and agreements between the Chinese Government and the Chinese Communist Party.

In anticipation of this inactivation, U. S. Army Forces have already been reduced by 60,000 or 90 percent and there are now no army combat units, either air or ground, remaining in China. In addition plans for the inactivation of the China Theater have already permitted a decrease of 20,000 from the peak strength of the U. S. Marines in China and the remaining strength will be successively released from that country."

If the Joint Chiefs of Staff do not approve the early inactivation of China Theater, the above statement might be utilized by Mr. Byrnes provided he omits the date stated in the first line. This statement appears to be innocuous in other respects and might ameliorate the feelings of the Soviet Russians relative to projected U. S. withdrawals in China.

Admiral Cooke has seen the above message; however, he does not feel that he can fully endorse the basic premise of such inactivation by 1 May 1946.



Marshall Mission Files, Lot 54-D270 : Telegram

*The Joint Chiefs of Staff to Lieutenant General Albert C. Wedemeyer*<sup>5</sup>

WASHINGTON, 26 March 1946.

82100. China Theater will be inactivated on 1 May. Residual functions of the China Theater involving responsibility by the War Department will be undertaken by Commanding General, U. S. Army Forces in China, who will continue to undertake all remaining functions now the responsibility of the Commanding General, U. S. Forces, China Theater, except operational control of the Marine Forces in China.

Effective upon the inactivation of the China Theater, operational control of the Marine Forces will be exercised by Com 7th Fleet for CinCPac.

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740.00119 Pacific War/3-2646

*Memorandum by General Marshall to the Secretary of State*<sup>6</sup>

[WASHINGTON,] March 26, 1946.

The following is a proposed announcement by you, if this proves necessary relative to American forces in China. It is the result of a compromise between certain Naval complications in the theater and Army proposals. I hope it will prove satisfactory.

"The so-called China theater of operations will be inactivated on May 1 next. As a result, the only United States Forces, other than Naval, remaining in China will consist of those required to dispose of surplus U. S. property, to complete assistance to the Chinese Government in the repatriation of the Japanese and in the movement of Chinese armies and equipment, and to participate in the operation of Executive Headquarters in Peiping which was established by the President's Special Envoy, General Marshall, to implement the agreements he reached with the representatives of the Chinese Government and the Communist Party to terminate hostilities, restore communications, and effect demobilization and reorganization of the armies.

"In anticipation of this inactivation the U. S. Army Forces have already been reduced by 60,000, that is by 90 percent, and there are now no army combat units, either air or ground, remaining in China.

"The Marine forces in China have already been reduced from about 53,000 to 34,000. The reduction in strength will be continued throughout the spring."

G. MARSHALL

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<sup>5</sup> Also addressed to the Commander in Chief, U. S. Pacific Fleet, Adm. John H. Towers.

<sup>6</sup> Original transmitted to the Secretary of State, temporarily in New York, by the Acting Secretary of State in his letter of March 26.

121.893/3-2846 : Telegram

*Lieutenant General Albert C. Wedemeyer to the Chief of Staff  
(Eisenhower) <sup>1</sup>*

SHANGHAI, 28 March 1946.

26845. Info[rmation] to Marshall. Upon release of Secretary Byrnes' scheduled speech in New York, provided the speech is based on radio 26553, or if the speech is not made, I propose to make a release substantially as follows.

Begin release: In accordance with War Department instructions, plans are being formulated to inactivate China Theater of Operations as of 1st May, Lt. General A. C. Wedemeyer, Theater Commander, announced today.

The announcement reaffirms a statement made by Secretary of State James F. Byrnes, that after May 1st the only army personnel remaining in China will be those needed for the following purposes: To dispose of surplus U. S. property, to assist the Chinese Government in the completion of repatriation of Japanese Nationals and in the movement of Chinese Armies and equipment, to advise and assist in the reorganization and training of Chinese Military Forces, and finally, personnel required for the operation of the Executive Headquarters at Peiping. The latter was established by special envoy General George C. Marshall, in connection with his role of advisor and mediator in negotiations and agreements between the Chinese Government and the Chinese Communist Party.

In announcing the inactivation of China Theater of operations, which he has commanded since October, 1944, General Wedemeyer pointed out [that Army personnel has already been] reduced from a peak strength of more than 65,000 troops to less than 6000. This 90% reduction was effected in consonance with War Department redeployment and demobilization regulations in anticipation of early inactivation of the theater, he said.

General Wedemeyer declared that at the present time there are no Army Air or Ground Combat units in the theater. Anticipation of theater inactivation has already resulted in a reduction of more than 20,000 Marines from China. A continued reduction of the remaining Marine Forces both air and ground now in China will be carried out, he said.

In announcing the 1st May inactivation of the theater over which he assumed command as successor to General Joseph W. Stilwell, General Wedemeyer emphasized that disposal of surplus property, repatriation of Japanese Nationals and other duties will not at this time permit redeployment of all personnel now assigned to the China Theater.

He gave the assurance, however, that redeployment of personnel will be carried out in accordance with current War Department policies, and that no men surplus to actual [operational] needs after 1st May will be retained.

"Personnel of China Theater Headquarters recently were advised that it probably will be necessary to reassign personnel not eligible for

<sup>1</sup> Bracketed insertions made on the basis of telegram of March 29.

redeployment in order to accomplish these duties," General Wedemeyer said. "It has also been emphasized that no one will be retained in China longer than is necessary to complete the mission outlined herein and that the rate of release will be governed entirely by the speed with which these functions are completed. I will see to it that a minimum number of personnel will be retained to do [these jobs and that] none of those [retained will] be held in China beyond the eligibility date set by the War Department," he added.

Personnel not eligible for discharge under existing [War Department redeployment criteria will be reported as surplus to the needs of this theater,] and the War Department will make necessary disposition of this personnel.

"It is logical that low point personnel who do not meet current redeployment criteria may be reassigned to other theaters of operations until such time as they are eligible for discharge," General Wedemeyer said. End of our proposed release.

In view of the short time in which to implement the War Department directive, it is essential that all commanders be informed and immediate steps be taken to inactivate the theater. Your concurrence, therefore, of the above release is urgently requested.

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Marshall Mission Files, Lot 54-D270 : Telegram

*The Chief of Staff (Eisenhower) to Lieutenant General  
Albert C. Wedemeyer*

WASHINGTON, 29 March 1946.

82605. Re 26845.<sup>8</sup> You are authorized to release a statement along the lines proposed in reference radio with the following modifications:

First, there will be no reference to any statement released here by the State Dept or other agency. It is believed that Mr. Byrnes will not make a statement on this matter.

Second, avoid the use of the word operations or operational. This is requested by the State Dept apparently because of the belief that to many the term implies combat or matters related to combat.

Third, in presenting the thought that residual duties such as surplus property, repatriation, etc will not permit redeployment of personnel now in China, include in that portion of the release the thought that the retention of personnel for these functions is temporary; for instance say that these duties will not permit immediate redeployment. While it is noted that this thought is emphasized in a separate paragraph of your proposed release it would be well to have each statement present as complete a picture as possible when picked from the context of the release.<sup>9</sup>

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<sup>8</sup> *Supra.*

<sup>9</sup> A statement by General Wedemeyer was issued to the press at Shanghai on April 1, reported in the *New York Times*, April 2, 1946, p. 2, col. 5.



*Lieutenant General Albert C. Wedemeyer to the Joint Chiefs of Staff*<sup>10</sup>

[SHANGHAI,] 3 April 1946.

27412. 1. Joint Chiefs of Staff 82100 (Navy 261746)<sup>11</sup> to Wedemeyer and Towers for action directs on 1st May inactivation of China Theater and effective that date activates United States Army Forces in China and transfers operational control of Marine Forces in China to Commander, Seventh Fleet (ComSeventhFleet) Acting for CinCPac. CinCPac 270327<sup>12</sup> directs ComSeventhFleet to take necessary action to implement the foregoing directive. The following sets forth summary of Army and Navy implementing plans:

2. Commanding General (ComGen) United States Army Forces (USAF) in China will carry out the following tasks:

- a. Assistance to Peiping Executive Headquarters.
- b. Establishment of United States Army Advisory Group.
- c. Advice and assistance to Chinese Government in assuming control of that part of China including Manchuria liberated from the Japanese.
- d. Advice and assistance to Chinese Government in repatriating Korean and Japanese personnel.
- e. Assistance to China Search and Graves Registration Program.
- f. Limited operational logistic support to the Chinese Air Force; this support will cease on 30th June 1946.
- g. Liaison with Chinese Government on Supreme Commander for the Allied Powers (SCAP) program for aerial mapping of China.
- h. Limited administrative support of Air Transport Command, Army Airways Communications System, and Army Communication Service.
- i. Conduct of war crimes trials.

3. ComSeventhFleet will continue to support ComGen USAF, China in accordance with pertinent Joint Chiefs of Staff directives.

4.<sup>13</sup> The Marine Forces in China will execute the following tasks under operational control of ComGen China until 1st May and thereafter under the operational control of ComSeventhFleet:

a. Maintain garrison forces in north China as follows:

- (1) Peiping-Tientsin area with such detachments at port areas as are required for their own support.
- (2) Tsingtao Area.

<sup>10</sup> Filed in SWNCC Files, Lot 52-M45; this telegram revised on the basis of a copy furnished by the Department of Defense.

<sup>11</sup> Telegram of March 26, p. 859.

<sup>12</sup> Telegram of March 27, not printed.

<sup>13</sup> The text of paragraph 4 was included in Operational Directive No. 12 of April 17 as transmitted in telegram No. 28718, April 17, from Lt. Gen. Albert C. Wedemeyer, not printed.

b. Continue to assist and provide logistical support for the Executive Headquarters until relieved by the U. S. Army Forces in China.

c. Continue to assist the U. S. Army Forces in China in the repatriation of Korean and of Japanese personnel from north China until repatriation is completed.

d. Coordinate the relief by Central Government Forces of Marine Forces engaged in providing security in north China except that required by the Marines for their own security and support (ComGenChina accepts responsibility of arranging with Chinese Government for the Chinese troops required and with General Marshall for authority for their movement).

e. Conduct no activities which prejudice the basic United States principles that the United States will not support the Central Government in fratricidal warfare. This does not preclude United States Commanders from taking such action as they deem necessary to protect United States property and the lives of United States personnel.

f. Prepare plans for withdrawal of Marine Forces and be prepared to execute as directed by the Joint Chiefs of Staff.

5. a. ComGen U. S. Army Forces in China will maintain liaison with CinCPac through Commander Seventh Fleet, Peiping Executive Headquarters, General Marshall, the Chinese Government, and adjacent theaters, and will continue or establish such assisting agencies as are necessary for this purpose.

b. ComSeventhFleet will maintain liaison with ComGen United States Army Forces in China, Peiping Executive Headquarters for General Marshall, and the Chinese Government. Since Headquarters of ComSeventhFleet must be mobile, he will set up the following assisting agencies:

(1) A group at Shanghai for liaison with USAF China. When ComSeventhFleet is at Shanghai, direct liaison as now established between ComGenChina and ComSeventhFleet will be continued.

(2) A group at the seat of the Chinese Government for liaison with General Marshall and the Chinese Government.

(3) A Marine Group at Peiping Executive Headquarters.

6. Matters of Joint concern will be taken up with General Marshall or the Chinese Government by ComSeventhFleet or ComGen USAF China on the basis of paramount interest after full coordination between the two commanders.

7. ComGenChina recommends the following additional tasks for the Marines in which General Marshall has indicated concurrence:

a. The Third Amphibious Corps will initiate by 15th April:

(1) Reduction of Ground Elements based on the Peiping-Tientsin area to one regimental combat team with supporting service troops.

(2) Reduction of Ground Elements in the Tsingtao area to one regimental combat team, with supporting service troops.

b. The Third Amphibious Corps will:

- (1) Evacuate the Tsingtao area by 1st July 1946.
- (2) Evacuate the Peiping-Tientsin area in accordance with instructions to be issued later. (Tentative target date 30th September 1946.)
- (3) Reduce Air Elements to the minimum necessary to support the Marine Forces remaining in China and as long as in China to provide such Air Support to Executive Headquarters as cannot be provided by United States Army Forces in China.

8. ComSeventhFleet considers that, if the additional tasks recommended in paragraph 7 above, are approved by the Joint Chiefs of Staff, the responsible Commanders may have some flexibility as to dates in carrying out the tasks in paragraph 4*d*, above, which involves co-ordination with Chinese Forces and passing responsibilities to other agencies not under his control.

9. Both Commanders request instructions in order that implementing directive may be issued to Commander Third Amphibious Corps.

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*The Joint Chiefs of Staff to the Commanding General, U. S. Forces, China Theater and Commander in Chief, U. S. Pacific Fleet*<sup>14</sup>

[WASHINGTON,] 13 April 1946.

84336. You are authorized to distribute the tasks in the China area as recommended in paragraphs 1 to 6 inclusive of 27412 of 3 April. Assume provisions of paragraph 4 E apply to all U. S. forces, China. It is noted that there is no mention of arrangements for operation of Chinese manned War Shipping Administration ships presently under Army control. This matter should be resolved and included in your plans. Phased withdrawal Marines will be initiated as soon as practicable in accordance instructions to be issued shortly by Chief of Naval Operations and will be continued as rapidly as General Marshall may consider situation China permits. Future changes which may be desirable may be arranged in the area by recommendation of commanders concerned and put into effect after confirmation by War and Navy Departments.

The directive contained in 88636, 14 December 1945<sup>15</sup> remains in effect except as modified by 82100<sup>16</sup> and the provisions of this message.<sup>17</sup>

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<sup>14</sup> Copy of this telegram furnished by the Department of Defense (SWNCC Files, Lot 52-M45).

<sup>15</sup> *Foreign Relations*, 1945, vol. VII, p. 698.

<sup>16</sup> Telegram of March 26, 1946, p. 859.

<sup>17</sup> Repeated to General of the Army Douglas MacArthur, Tokyo, for information.



Marshall Mission Files, Lot 54-D270: Telegram

*Lieutenant General Alvan C. Gillem, Jr.,<sup>18</sup> to the Joint Chiefs of Staff*

SHANGHAI, 13 April 1946.

28684. 1. Receipt of 84336<sup>19</sup> is acknowledged.

2. Your assumption that provisions of paragraph 4e 27412<sup>20</sup> apply to all US Forces China is correct.

3. Arrangements for operations of Chinese manned War Shipping Administration ships presently under army control are included in our inactivation plans. Control of these ships will continue to be vested in SCALS (Shipping Control Authority Liberty Ships) which in a US Army agency assigned to the China service command (redesignated from the Shanghai port command). (Commander, Seventh Fleet, has seen this message and concurs.)

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Marshall Mission Files, Lot 54-D270

*Memorandum by General Marshall to General Chou En-lai<sup>21</sup>*

CHUNGKING, April 25, 1946.

DEAR GENERAL CHOU: A plan is being developed for the relief of U. S. Marines in China by troops of the National Army. For your information, the two National army elements, 5th Army and 26th Army, are under consideration for the purpose.

The approximate combined strength of these units is 67,000 men. They are located generally in Changsha, Yueh Yang, Wuchang, and Kaiyuan.

The movement will be made by water from Shanghai and Kowloon. It is estimated that the move can be initiated in approximately one month and consummated about 1 July 1946.

Does such movement meet with your approval, or do you deem it essential that the Committee of Three<sup>22</sup> convene to discuss it? I am desirous of expediting the initiation of the withdrawal of U. S. Marines and therefore I would appreciate an early indication of your desires.

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<sup>18</sup> Acting Commanding General, U.S. Forces, China Theater, during the absence of General Wedemeyer.

<sup>19</sup> *Supra*.

<sup>20</sup> April 3, p. 862.

<sup>21</sup> Head of the Chinese Communist Party delegation at Chungking.

<sup>22</sup> Consisting of representatives of the Chinese Government, the Chinese Communist Party, and the United States.

Marshall Mission Files, Lot 54-D270

*Memorandum by General Chou En-lai to General Marshall*

CHUNGKING, 26 April 1946.

MY DEAR GENERAL MARSHALL: Acknowledging receipt of your memorandum dated April 25 I most appreciate your kindness to inform me of the withdrawal of U. S. Marines and the Government's design to send two more army units to North China.

As far as the movement of the Nationalist forces is concerned, I don't see any connection between that and the withdrawal of U. S. Marines. The Nationalist forces now stationed in the Peiping-Tientsin Area comprising 92nd, 94th, 16th and 3rd Armies, apart from puppet units led by Men Ping-yuo, Ho Lu-jung, Kao Teh-lin and Li Sho-hsin, are large enough to dispense with any reinforcement, unless the information I received that the government is contemplating to send the 34th Group Army (consisting of 16th Army and 3rd Army) to Manchuria against the Truce Agreement,<sup>23</sup> for waging war proves correct, or else the Government must be intending to destroy the Truce Agreement by taking further aggressive actions in China proper. Otherwise, no such movement seems necessitated.

Please communicate to the Government representative my objection to this contemplated movement.

Faithfully yours,

[Signature in Chinese]  
(CHOU EN-LAI)

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Marshall Mission Files, Lot 54-D270: Telegram

*Lieutenant General John E. Hull to Brigadier General  
George A. Lincoln* <sup>24</sup>

WASHINGTON, 6 May 1946.

86972. Reference 86781 <sup>25</sup> on subject of withdrawal of marines from China. Indication has now been received that early withdrawal may be against the best interests of the US. Admiral Cooke in a message to CNO of 3 May <sup>26</sup> cleared by Generals Marshall and Gillem stated that reduction of marines is being withheld because their presence is a weighty factor in present negotiations to accomplish basic US policy in China. He adds that their reduction depends upon relief by national armies in guarding coal mines, railroads and in securing the ports and on these matters the economy and stability of large

<sup>23</sup> Signed January 10, 1946, vol. ix, p. 125.

<sup>24</sup> Of the War Department General Staff, assigned at Paris at this time to the Council of Foreign Ministers meeting. General Lincoln relayed the information in this telegram to the Secretary of State on the same day.

<sup>25</sup> Not found in Department files.

<sup>26</sup> Telegram No. 031624Z, May 3, not printed.

cities including Shanghai depends. Present estimate of ComGen China is that marines at Tsingtao (approximately 1 brigade) cannot be relieved prior to 31 July and marines Chinwangtao-Tientsin prior 15 September. Both dates optimistic and highly tentative. Piecemeal withdrawal or reductions except minor ones now in hand might adversely affect General Marshall's efforts. C[hiang] K[ai] S[hek] intends not to provide Chinese Armies for North China until 2 additional (99 and 54) have been moved to Manchuria. In addition to the above General Gillem in a personal message to Wedemeyer on 4 May stated that after discussion with General Marshall it appears that Chinese Armies for North China will not be moved in the foreseeable future. The National Government is pressing for a decision on move of 99th and 54th Armies to Manchuria on which General Marshall has made no commitment but indicated that their movement by US resources is very unlikely. As regards US shipping for lifting Chinese after 10 May no LSTs available. Only other shipping available is 10 SCALS (Shipping Control Authority Chinese Liberty Ships) Liberties and perhaps 10 Chinese manned LSTs by late June.

Although not specifically stated in either of the messages cited above it appears that the shortage of shipping and Manchurian requirements will strongly militate against early relief of the marines even though other major difficulties now existing are overcome.

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893.00/5-846 : Telegram

*The Acting Secretary of State to the Ambassador in France (Caffery)*

WASHINGTON, May 8, 1946—8 p. m.

2190. For the Secretary.

1. General Marshall has now made a detailed and very informative report <sup>27</sup> on the situation in China which we forwarded to you today by pouch.

2. It is apparent from General Marshall's report that he is now encountering great difficulties in accomplishing his mission. While the subject of Marine withdrawal is not discussed in General Marshall's message, the views of Admiral Cooke and Generals Marshall and Gillem on this subject have been passed by the War Dept to General Lincoln in Paris in messages on the 2nd <sup>28</sup> and 6th <sup>29</sup> of May.

3. Your Delsec 465, <sup>30</sup> as received here, contains a statement that, in your conversation with Molotov <sup>31</sup> on the 5th you indicated to him

<sup>27</sup> Telegram No. 651, May 6, vol. ix, p. 815.

<sup>28</sup> Not found in Department files.

<sup>29</sup> Telegram No. 86972, *supra*.

<sup>30</sup> Telegram No. 2158, May 6, 2 p. m., not printed.

<sup>31</sup> Vyacheslav Mikhailovich Molotov, Soviet Minister for Foreign Affairs of the Soviet Union.



that our troops in North China would be withdrawn in a month. Although the U. S.-China Theater (Army) was deactivated as of May 1, with only small personnel of several thousand remaining behind to complete specified tasks,<sup>32</sup> and the Marines in North China have been reduced in recent months from approximately 60,000 to 30,000, it is apparent that General Marshall considers it impracticable to withdraw the Marines from North China in the near future. Furthermore, the War and Navy Depts, although they have the matter under consideration, consider it inadvisable to make any commitment with regard to a future date for withdrawal. We, and it is believed General Marshall, concur in this opinion.

ACHESON

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Marshall Mission Files, Lot 54-D270

*Memorandum by Colonel J. Hart Caughey<sup>33</sup> to Mr. Tung Pi-wu<sup>34</sup>*

OSE 306

NANKING, July 19, 1946.

I received the attached memorandum (Incl. 1) over the telephone this morning from General Chou En-lai.

As requested by General Chou, I attach as Incl. 2<sup>35</sup> the reference message received by Police Office, Peiping, regarding the seven American enlisted Marines.

[Enclosure]

*Memorandum by General Chou En-lai to Mr. Tung Pi-wu*

SHANGHAI, 18 July 1946.

General Marshall just called me due to message received by Police Office, Peiping, from Liu Shou Ying, dated 16th, 1100, saying that seven American enlisted Marines are being held near Shan Hai-kwan

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<sup>32</sup> Headquarters United States Army Forces China were deactivated on June 30 in a general reorganization of residual United States military functions in China. General Marshall considered inactivation of Headquarters desirable, as presence in China of a Headquarters with a name suggestive of a combat command was deemed an obstacle to successful accomplishment of his mission there. Headquarters functions were assigned to decentralized units for the time being.

<sup>33</sup> Executive Officer on General Marshall's staff.

<sup>34</sup> Member of the Chinese Communist Party delegation at Nanking.

<sup>35</sup> Telegram No. 170054Z, July 17, not printed; this telegram from Admiral Cooke to General Marshall transmitted original telegram No. 161132Z by Army Radio, Peiping, which reported the kidnapping under reference. Further information on the incident was reported in telegram No. 170549Z, July 19, from General Rockey to Admiral Cooke: "1830 13 July while procuring ice 8 enlisted men of 'C' Company 7th Marines stationed at bridges 99-102 were ambushed at village 1½ miles southeast of Liu Shu Ying which is about 15 miles from Peitaiho junction on Peiping-Mukden railroad by a group of reportedly 80 Communists or bandits. Seven enlisted captured and now in hands of the Communist or dissident band. One enlisted escaped and now in our hands. Strong patrols were dispatched promptly to comb surrounding country."

by 2nd Detachment Guerrilla force under command of Yu Hua-lung, who in turn is under command of Li Yun-chang. A field team was dispatched by Executive Headquarters at 16 July, 1930, for Peitaho to render all possible assistance in locating and recovering kidnapped enlisted Marines.

General Marshall requests that I do what I can towards release and return of Marines in question. I have asked Colonel Caughey to forward a copy of that message to you. Please immediately wire Yen-an and Kalgan to investigate the incident, locate the Marines and secure their release if they are found to be held by our forces.

CHOU EN-LAI

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Admiral Cooke at No. 5 Ning Hai Road, Nanking, July 24, 1946, 12 noon*

Also Present: Col. Litzenberg, USMC <sup>36</sup>  
Col. Caughey

[Extract]

*Marines*

General Marshall told Admiral Cooke to go ahead with the reduction of the Marine Garrison at Tsingtao,<sup>37</sup> avoiding publicity since the Generalissimo should not be given the idea that this action was a threat to him at this particular moment. General Marshall added that the Government has now reinforced Tsingtao and that further reinforcements could be moved in. With respect to Tientsin, General Marshall stated that the 53rd Army which is reported to be going to Chinwangtao could take over Marine duties in that region, although it is too early to start actual reductions at that place. General Marshall asked Admiral Cooke to continue planning however and said that at an opportune time he (General Marshall) would notify the Generalissimo of our intention to withdraw Tientsin garrison at a specified date. Admiral Cooke pointed out that there were certain considerations with respect to any Marine reductions and they were: The neces-

<sup>36</sup> Homer L. Litzenberg, Marine representative, 7th Fleet Liaison Group.

<sup>37</sup> Anticipating the possibility that General Marshall, incident to his negotiations, might recommend early reduction in 4th Marines reinforced, due to presence 54th Chinese Nationalist Army at Tsingtao, Admiral Cooke stated in his telegram No. 180434Z, July 18 to Admiral Towers: "It has been agreed between General Marshall and me that for the foreseeable future there should remain at Tsingtao a reduced battalion landing team of about 1000 personnel. Our view is that the special situation of the 7th Fleet ashore at Tsingtao requires a garrison force for internal security of naval facilities ashore such as is usually provided by a Marine barracks at a naval station."

sity for sufficient Marines to guard U. S. installations at Tsingtao and to protect U. S. property which is yet to be disposed; the possible eruption of an emergency situation in Shanghai which would require dispatch of Marines from North China by air or sea, for the purpose of protecting U. S. lives and property; the possible use of combat ships to stop Communist forces from crossing the Yangtze river to engage in sabotage activities against Shanghai installations. Admiral Cooke asked General Marshall if it would be appropriate to continue Tsingtao reductions in the face of these considerations. General Marshall replied, "yes". Admiral Cooke stated that in that event, about 4,000 Marines could be taken out of Tsingtao leaving approximately 1900 for garrison and guard purposes.

### *Captured Marines*

Admiral Cooke then brought up the question of the seven Marines which were recently captured by Communist forces. He stated that if the Communists did not release the Marines possibly some threat, such as giving ammunition to the National Government forces, should be employed. If they are released some form of apology should be demanded and punishment rendered to the Communist commanders.<sup>38</sup> Admiral Cooke added that it was quite likely that Chairman Mao Tse-tung<sup>39</sup> purposely adopted this course in order to stir up in the United States a feeling that the U. S. Marines should be withdrawn from China. General Marshall stated that before making up his mind he wanted to see the reply from Yen-an to his recent messages. This reply could take three possible forms: (1) An open defiance, which would not be likely, (2) The suggestion of delay, this attitude being more likely since he agreed with Admiral Cooke that it is a strong possibility that Chairman Mao Tse-tung was attempting to develop a U. S. reaction, or (3) An apology which would have to be dealt with upon receipt depending upon the terms of the apology.

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Marshall Mission Files, Lot 54-D270: Telegram

*Mr. Walter S. Robertson*<sup>40</sup> to General Marshall

[PEIPING,] 25 July 1946.

5991. Amplifying our 5943,<sup>41</sup> seven Marines were turned over to our Special Peace Team under Colonel Morris Martin as Chairman.

<sup>38</sup> Admiral Cooke noted in his telegram No. 260602Z, October 26, to General Marshall that, despite General Marshall's having made representations to the highest Communist level, they had never disavowed nor apologized for the seven marines kidnapped, for the Anping incident (see final report of October 8, p. 320), or for the Hsinho ammunition raid.

<sup>39</sup> Chairman of the Central Committee of the Chinese Communist Party.

<sup>40</sup> American Commissioner at Executive Headquarters at Peiping.

<sup>41</sup> Telegram of July 25; it stated: "Commanding General 1st Marine Division reported 24 July that seven captured marine[s in] custody at Niening 24 July and are now with 7th Marine [Regiment] at Peita-ho."



Location and release of Marines resulted directly from efforts our Team. When first conference with local Communist officials lasting 3 hours failed to effect release Communist Commissioner General Yeh in response to my appeal immediately wired to General Hsiao Ke, Headquarters Jehol Military District at Chengte, to have local Commanders sub-Military District Eastern Hopei release to Special Team immediately. Yeh's attitude was sympathetic and most co-operative.

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter <sup>42</sup> to General Marshall*

[WASHINGTON,] 23 August 1946.

98402. The following message is transmitted at the request of Acting Secretary of State, Dean Acheson :

"In connection with my discussion yesterday with Secretaries of War and Navy, I should appreciate receiving an indication of your attitude in regard to Navy's proposed plan to concentrate Marines at certain urban centers in North China, thereby relieving them of some of their present duties. Signed, Dean Acheson".

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel J. Hart Caughey to General Marshall at Kuling*

[NANKING,] 24 August 1946.

1385. Third and fourth items out of ComGen First MarDivs <sup>43</sup> Sitsum <sup>44</sup> follow.

"Division ammunition supply point was fired on at 122330 <sup>45</sup> by unidentified Chinese. Reinforcements were requested. Sporadic firing became heavy. Hostile forces ceased firing when Marines returned the fire. No activity was observed despite illuminating mortars. Unidentified Chinese used an estimated two automatic weapons and attacked under cover of light rain. There were no known Chinese casualties and no Marine casualties.

Coal train 507 with eight Marine guards aboard was derailed at approximately 0400 on 20 August between outpost 1 at Peitang and outpost 2 at Hanku. The apparent cause of the derailment was 1 removed rail and loosened spikes. All Marines were returned to Tangku uninjured by 175 Marine patrol. Marines state there were no Chinese present in the vicinity of the accident and no hostilities whatsoever. Traffic resumed after track repaired."

Above for information.

J. HART CAUGHEY

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<sup>42</sup> General Marshall's representative in Washington.

<sup>43</sup> Commanding General, 1st Marine Division.

<sup>44</sup> Situation-summary report.

<sup>45</sup> August 16.

Marshall Mission Files, Lot 54-D270 : Telegram

*The Commander of the Seventh Fleet (Cooke) to General Marshall*

[SHANGHAI,] 26 August 1946.

260520Z. Pursuant my 230318,<sup>46</sup> General Rockey is conferring with CNA <sup>47</sup> Commander of 11th War Area to arrange relief of Marines that will permit concentration at key points. Prospects for quick success through Rockey's efforts only are not bright. Any assistance you can give by insisting on present CNA strength remaining along railroad or by increasing CNA strength there will expedite relief of Marine train guards and dispersed detachments. ComGen First Marine Div 250022 <sup>48</sup> passed to you refers.

Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to the Acting Secretary of State*

[NANKING,] August 28, 1946.

1406. DEAR ACHESON: Admiral Cooke and I have discussed at length the matter set forth in your message relayed to me by Colonel Carter.<sup>49</sup> I approved his plan which is similar to the one apparently mentioned to you by the Secretary of Navy.<sup>50</sup> Further than this I authorized Admiral Cooke to begin turning over train convoys and bridge guards at an early date so as to obligate national forces to assume these duties. This will accomplish a double purpose.

The Marines will be relieved of some of their present functions thus permitting their concentration. At the same time this will require available national forces recently arrived in Chinwangtao and due for Manchuria to dispose southward instead of northward into Jehol and Manchuria which I am convinced will arouse serious Communist reactions.

G. C. MARSHALL

Marshall Mission Files, Lot 54-D270 : Telegram

*The Secretary of the Navy (Forrestal) to General Marshall*

[WASHINGTON,] 29 August 1946.

282148Z. From information available to me it appears that General Rockey's efforts alone will not bring about expeditious relief of Marine detachments on outpost and guard duty. Am deeply apprehensive that recurrence of incidents involving attacks on dispersed

<sup>46</sup> Telegram of August 23, not printed.

<sup>47</sup> Chinese National Army.

<sup>48</sup> Not found in Department files.

<sup>49</sup> Telegram No. 98402, August 23, p. 871.

<sup>50</sup> James Forrestal.

groups of Marines will lead to an aroused public opinion here exerting significant pressure to withdraw all Marines from China. In view of above believe notification to Chinese Government that it is intended to relieve Marines from mine, rail and bridge guard duties and concentrate at selected locations as indicated in ComSeventh Fleets 230318Z<sup>51</sup> at an early date would accomplish our desired purpose. I should appreciate your advice and comments.

FORRESTAL

Marshall Mission Files, Lot 54-D270: Telegram

*General Marshall to the Commander of the Seventh Fleet (Cooke)*<sup>52</sup>

NANKING, 30 August 1946.

1420. I have just read Rockey's message to you 280426Z<sup>53</sup> and your 290637Z<sup>54</sup> relative to relief of Marine detachments. Please instruct Rockey to inform National Commander that he cannot accept the long delay mentioned. Have Rockey prescribe a series of reasonable dates for successive reliefs which must be met, otherwise he will relieve Marine detachments without awaiting relief. This will then be a "Declaration of Intentions".<sup>55</sup>

Marshall Mission Files, Lot 54-D270: Telegram

*General Marshall to the Secretary of the Navy (Forrestal)*

NANKING, 31 August 1946.

1428. Previous to receipt of your message<sup>56</sup> I advised Admiral Cooke to instruct Rockey to prepare a reasonable schedule for Marine withdrawals from detached posts and notify the Nationalist Commander accordingly that the Marines would be withdrawn on the dates mentioned whether or not National troops took over.

Admiral Cooke and I discussed this problem at length over a week ago at which time I authorized Admiral Cooke to terminate train con-

<sup>51</sup> Telegram of August 23, not printed.

<sup>52</sup> Copy sent in memorandum OSE 413, August 30, by Col. J. Hart Caughey to the Naval Attaché (Kenny) for transmittal to Admiral Cooke.

<sup>53</sup> Telegram of August 29; it stated: "In conference 27 August General Sun, Commanding 11th War Zone CNA, agreed in principle with proposed relief of Marines on railroads and concentration as indicated your 230318" and "General Sun stated that offensive operations by CNA forces in area have been ordered on time schedule until about 21 September during which period no CNA troops will be available to relieve Marines."

<sup>54</sup> Telegram of August 29, not printed.

<sup>55</sup> Telegram of August 31 from General Rockey to Admiral Cooke stated: "In my negotiations with General Sun, 11th War Zone, and General Mou, 94th CNA, I agreed that a schedule of reliefs for Marine mine and bridge guards beginning 23 September would be satisfactory."

<sup>56</sup> Telegram No. 282148Z, August 29, p. 872.



voys and for Rockey to commence the relief of bridge guards. This would permit Marine forces to concentrate at a few points and, at the same time, require available National forces recently arrived in Chinwangtao and due for Jehol or Manchuria operations to be disposed southward along the rail line of communications to Tientsin.

Incidentally it is very important in this matter from my point of view that this affair be handled quietly, otherwise it would be a victory for the Communists, encourage them to more extreme propaganda and make it very hard for me to influence them.

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Marshall Mission Files, Lot 54-D270: Telegram

*General Marshall to the Commander of the Seventh Fleet (Cooke)* <sup>57</sup>

NANKING, 3 September 1946.

1438. Reference your 310434 <sup>58</sup> and my 1434 <sup>59</sup> regarding Rockey's arrangements for relief of Marine outlying detachments: because of Rockey's commitment to delay of initial relief until September 23 I took up matter with Generalissimo and stated that such delay was not acceptable to me. He stated he would send instructions to expedite the arrangements. Please see that Rockey takes similar action despite his previous commitment to September 23 date.

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Marshall Mission Files, Lot 54-D270: Telegram

*Colonel J. Hart Caughey to General Marshall at Kuling*

[NANKING,] 9 September 1946.

1462. Admiral Cooke has reported his initial conference with Generals Sun and Rockey. General Sun undertakes advanced schedule for relieving Marines beginning 15 September. General Sun also confirms Admiral Cooke's Serial 00200 <sup>60</sup> brought to you by Litzenberg as to the necessity for holding a corridor for the protection of the bridge guards. General Sun urges that representations <sup>61</sup> be made

<sup>57</sup> Copy sent to the Naval Attaché (Kenny) for transmission to Admiral Cooke in memorandum OSE 416, September 3, by Colonel Caughey for General Marshall.

<sup>58</sup> Letter of September 1, not printed.

<sup>59</sup> Telegram of September 2, not printed.

<sup>60</sup> Memorandum of September 4 to General Marshall, commenting on problems involved in the relief of marines along railroad between Tangku and Chinwangtao (including personnel guarding bridges along railroad), for the protection of the coal trade.

<sup>61</sup> General Marshall did not feel he could make representations to the Generalissimo since it involved military dispositions and was not compatible with his position as mediator, according to telegram No. 121230Z, September 12, by the 7th Fleet liaison officer (Litzenberg) to Admiral Cooke: this telegram stated further: "Since Gen. Marshall cannot intervene, Gen. Sun might well be urged to present his own case in strongest possible terms emphasizing difficulty of combatting guerrillas over a long and tenuous LOC [line of communication]."

to the Generalissimo for additional forces to carry out his tasks. Admiral Cooke and General Rockey agree to the urgency of this need, stating that it would appear best that General Sun's urgings not be overlooked.

Our opinion here is that you would not want to urge the Generalissimo to provide additional forces but that it might be desirable for you to acquaint the Generalissimo with the general idea that it will take a great many more Nationalist forces to protect a railway corridor than it took United States Marines in the past. A large measure of protection had previously been afforded by the psychological effect of even a single U. S. Marine soldier standing guard along the railroad as Communists were inclined to avoid any incident with American Marines and now will not be so inclined toward Nationalist Forces.

J. HART CAUGHEY

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Marshall Mission Files, Lot 54-D270 : Telegram

*The Commander of the Seventh Fleet (Cooke) to General Marshall*

[SHANGHAI,] 19 September 1946.

180830Z. Withdrawal of Marines from coal mines and railroad bridges began on 15 September. Marine[s] withdrawn from Sinshi Mines on 17 September. My 040538Z <sup>62</sup> refers.

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S93.00/9-2546 : Telegram

*General Marshall to the Acting Secretary of State*

[NANKING,] 25 September 1946.

1556. DEAR MR. CLAYTON: Last night, Tuesday, a representative of Minister Wang <sup>63</sup> of Foreign Office called to inform me of Gromyko Soviet official statement <sup>64</sup> regarding presence of Marines in China and requested advice as to instructions to be sent to Chinese representative in Paris. On my statement that I would wish first to receive advice from you, I was told that instructions must be radioed Paris last night. I then counseled statement that Marines were in China under the sanction of the Chinese Government, that their original purpose under armistice agreements was to facilitate and expedite repatriation of two and half million Japanese in China, that this repatriation

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<sup>62</sup> Telegram of September 5, not printed.

<sup>63</sup> Dr. Wang Shih-chieh, Chinese Minister for Foreign Affairs and chief Chinese delegate to the Paris Peace Conference, July 29-October 15, 1946.

<sup>64</sup> For proposal on September 23 by the Soviet representative in the United Nations Security Council at Lake Success, N. Y., see United Nations Security Council's *Official Records*, 1st year, 2d series, supplement No. 5, annex 9, p. 151. The proposal requested investigation of the presence of Allied troops on non-enemy territory.

had virtually been completed and the Marines at present were safeguarding the operation of the Tientsin-Chinwangtao Railroad to insure the transport of vitally necessary coal, and that they were further concerned in providing for the maintenance and the security of the numerous individual Americans of Executive Headquarters in Peiping engaged in the effort to promote peace in China.

Further, that the original strength of some 55,000 had been reduced to 22,000 and was steadily being reduced week by week.

The representative of the Foreign Office did not think they would use the facts about the railroad mission and possibly other details. I counseled a frank statement of facts devoid of explanations. I will try to ascertain the actual instructions dispatched. I trust that my advice will prove to be in accordance with the considered action of the State Department.

G. C. MARSHALL

893.00/9-2546 : Telegram

*The Acting Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, September 25, 1946—6 p. m.

788. For General Marshall. Thank you for information contained in your 1556.<sup>65</sup> As you know by now the Soviet proposal was defeated in the Security Council yesterday by vote of 7 to 2 but I want to let you know that the advice you gave the Chinese was in full accord with the views of the State Department. With best regards.

CLAYTON

711.93/9-2846 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, September 28, 1946.

[Received September 28—6 a. m.]

1557. Wu Teh-chen, Secretary General [of] Kuomintang, told United Press in commenting on Gromyko's recent charges to Security Council,

"American GI's certainly don't jeopardize world peace by remaining in China, but on the contrary actually help bring about peace. . . ."<sup>66</sup> I am of the opinion world peace would be endangered only when foreign troops enter the territory of another country and remain without sanction of its government."

Official *Central Daily News* editorial September 27 took same stand as above.

STUART

<sup>65</sup> *Supra.*

<sup>66</sup> Omission indicated in the original.



Marshall Mission Files, Lot 54-D270 : Telegram

*The Commander of the Seventh Fleet (Cooke) to General Marshall*

[SHANGHAI,] 5 October 1946.

030210Z. Withdrawal of Marines from bridge, coal mine and train guard duty completed 30 Sept. In each case relief was made by CNA forces. Marines now concentrated Peiping, Tientsin-Taku, Peitaiho-Chinwangtao and Tsingtao. My 040538Z<sup>67</sup> refers.

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Marshall Mission Files, Lot 54-D270

*Memorandum by General Marshall to General Chou En-lai*

OSE 505

NANKING, October 11, 1946.

DEAR GENERAL CHOU: Admiral Cooke reports<sup>68</sup> that the Marine ammunition dump at Hsin-Ho was attacked on the night of 3 October by an armed group of about 200 men. An undetermined number of this group were armed with rifles and three automatic weapons. One Marine was wounded and 33 cases of small arms ammunition were stolen.

Since the attack, Naval and Marine authorities have conducted a careful investigation. Evidence from one armed attacker, who was wounded and certain captured papers disclosed that the action was a raid conducted by the 3rd Company, Road Protecting Battalion, with headquarters at Tung Feng Tai, 38 miles north of Tangku. Battalion consists of three Companies commanded by Wu Hung, and believed to be part of the 59th Communist Regiment.<sup>69</sup>

I trust that your representation of this incident will result in prompt and effective measures to preclude further provocative acts of this nature.

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<sup>67</sup> Telegram of September 5, not printed.

<sup>68</sup> Telegram No. 040703Z, October 7, not printed.

<sup>69</sup> In telegram No. 090107Z, October 9, Admiral Cooke informed General Marshall that it appeared to be "established that Communists were responsible for attack on First MarDiv ammunition dump" and added: "In this case Communists are in no position to accuse Marines of offensive action against them nor of penetrating their liberated areas. I believe we must find some effective means to stop unprovoked attacks on our forces. In your representation it might be helpful, as a counter and preventive measure, to inform the Communist side that we hold them responsible for these raids, and that while we have no present intention of furnishing the Nationalists with ammunition, we may find it necessary to consider giving the Nationalists two cases of ammunition for every one stolen by Communists if these raids on our ammo dumps continue."

Marshall Mission Files, Lot 54-D270

*Memorandum by General Chou En-lai to General Marshall*

MM 201

[NANKING,] October 12, 1946.

DEAR GENERAL MARSHALL: We have not received any report as to which troops conducted the incident at Hsin-Ho. Upon reading your memorandum OSE 505<sup>70</sup> addressed to General Chou En-lai, I immediately dispatched a message to Yen-an authorities, asking them to probe and clarify if the Communist forces near by the town did make the acts, as you asserted in the memorandum. I will let you know of the result, as soon as any reply is received.

For General Chou En-lai:  
TUNG PI-WU

Marshall Mission Files, Lot 54-D270: Telegram

*Major General S. L. Howard, U. S. M. C.,<sup>71</sup> to the Commander of the Seventh Fleet (Cooke)*

[TIENTSIN,] 23 October 1946.

210711Z.<sup>72</sup> This amplifies my 210307Z.<sup>73</sup> Now develops that hunting party consisting 1 American UNRRA<sup>74</sup> employee, 4 Russians and 4 Marines were surrounded and disarmed by forces strongly believed to be Communists about 0830H 20 October approx 3 miles north division Asp Hsinho. This party additional to personnel mentioned in reference. All party permitted return to Tientsin p. m. 20 October except Staff Sgt. Robert H. Fellows USMC and Tech Sgt. Jack Lane USMC still detained by Chinese who stated they were taking Marines northward. Promised return them uninjured in 2 or 3 days. Chinese retained 1 Marine jeep, all weapons and gear belonging to 4 Marines but returned most personal gear and all weapons of other 5 hunters.

Propose requesting Executive Hq. Peiping institute measures without delay to effect recovery of 2 missing as done in Liu Shou Ying incident 13 July.

<sup>70</sup> *Supra.*<sup>71</sup> Commanding General, Marine Forces, China, and Commanding General, 1st Marine Division.<sup>72</sup> This telegram was transmitted as No. 220300Z by Admiral Cooke to General Marshall.<sup>73</sup> Telegram of October 21; it reported two incidents on October 20; (1) at 1230H a recreation party of 3 naval personnel were ambushed one mile from Marine ammunition dump at Hsinho by group of about 50 armed Chinese dissidents or bandits and no casualties were suffered by U. S. personnel but 6 or 7 of the ambushers were killed or wounded; (2) in another incident near Chin-wangtao at 1735H, a hunting party of 9 marines was fired on by several dissidents or bandits, the marines did not return the fire, and they did not suffer any casualties.

In telegram No. 190943, October 21, General Howard reported another attack by 2 unidentified persons on sentries on 2 posts at the ammunition supply point Tangku; he indicated the marines returned the fire, the ammunition dump was not penetrated, and there were no marine nor known dissident-element casualties.

<sup>74</sup> United Nations Relief and Rehabilitation Administration.

Marshall Mission Files, Lot 54-D270: Telegram

*General Marshall to the Commander of the Seventh Fleet (Cooke)*

[NANKING,] 23 October 1946.

1679. I have read the messages brought to me by Admiral Boone <sup>75</sup> concerning three recent incidents involving recreation and hunting parties, hunting outside of fully controlled areas, and being attacked by Chinese bandits who are anxious to acquire their equipment and transportation.

It appears inadvisable for me to remonstrate Chou En-lai for these incidents when we are concentrating all efforts on the negotiations which have just been resumed since his return from Shanghai Monday. Your action in taking this up with Executive Headquarters in Peiping, in making appropriate press releases deploring the incidents, and in restricting the freedom of movement of hunting parties appears adequate for the moment. However, I am open to suggestion from you at any time, particularly should you identify the bandits as belonging to a particular Communist organization.

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Marshall Mission Files, Lot 54-D270: Telegram

*Major General S. L. Howard, U. S. M. C., to the Commander of the Seventh Fleet (Cooke)*

[TIENTSIN] 23 October 1946.

220628Z. Executive Headquarters does not wish to send team into Tangku area for rescue of two Marines. Request for rescue has been addressed to both Nationalist and Communist representatives at Executive Hqs. Nationalist Headquarters state they have initiated action. Communist Hqs. state they will forward the request to Yen-an.

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811.3393/11-546

*Memorandum by the Director of the Office of Far Eastern Affairs (Vincent) to the Under Secretary of State (Acheson)*

[WASHINGTON,] November 5, 1946.

The item on the United Nations Assembly agenda calling for report and discussion of troops stationed abroad <sup>76</sup> brings up for careful consideration and review the question of our Marines in north China.

We will be able to report with clarity and force on why the Marines

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<sup>75</sup> Chief of Staff, 7th Fleet.

<sup>76</sup> For report on General Assembly discussion of the question of the presence of armed forces of Members of the United Nations on nonenemy territories, see United Nations, *Plenary Meetings of the General Assembly*, Verbatim Record, 23 October-16 December, 1946, pp. 895, 1068, 1071, and 1316.



have been in north China and what they have been doing. At the request of the Chinese Government they have assisted in the repatriation of 350,000 Japanese from that area, and they have assisted in keeping communications open, thereby making possible the shipment of coal from north China to Shanghai, where it is vitally needed by industry. But Japanese repatriation from north China was completed during the summer, and more recently the Marines withdrew from the rail lines and are now concentrated in urban centers in north China (Peiping, Tientsin, Tangku, and Chinwangtao). It is understood that the Marines now perform some ancillary functions in connection with the Executive Headquarters in Peiping.

From the foregoing it seems clear that it will be difficult for our representative at the Assembly to make any convincing statement as to why the Marines continue to be stationed in north China. In this connection I was somewhat perturbed to note in a recent draft telegram <sup>77</sup> to our representative on the Assembly <sup>78</sup> a phrase stating that the Marines were in north China to assist in the evacuation of Japanese. At my suggestion the phrase was deleted. The fact that they are there at the request of the Chinese Government might still be used but this does not furnish an answer to the question, why? As a matter of fact, it raises the presumption that they are in north China solely for the purpose of supporting the National Government.

In connection with the discussions in the Assembly it is well to recall the Moscow agreement of December last year in regard to China.<sup>79</sup> That agreement contains the following paragraph:

"Mr. Byrnes pointed out that American forces were in North China at the request of the Chinese Government, and referred also to the primary responsibility of the United States in the implementation of the terms of surrender with respect to the disarming and deportation of Japanese troops. He stated that American forces would be withdrawn just as soon as this responsibility was discharged or the Chinese Government was in a position to discharge the responsibility without the assistance of American forces."

This paragraph is taken from a statement signed by Mr. Bevin <sup>80</sup> and Mr. Molotov as well as Mr. Byrnes. There can be little doubt that the Russians at the Assembly will endeavor to make capital of this statement.

There has been an increasing volume of press comment from China (right, left and center) adversely critical of our retention of the

<sup>77</sup> Not found in Department files.

<sup>78</sup> For a statement made October 30 before the General Assembly by the Senior Representative of the U. S. delegation regarding the presence of United States forces in nonenemy territories, see Department of State *Bulletin*, November 24, 1946, p. 935.

<sup>79</sup> December 27, 1945, Department of State *Bulletin*, December 30, 1945, pp. 1027, 1030; see also *Foreign Relations*, 1945, vol. VII, pp. 829 ff.

<sup>80</sup> Ernest Bevin, British Secretary of State for Foreign Affairs.

Marines. There has also been an increasing tendency in this country to question the presence of the Marines there.

The problem of answering letters addressed to the State Department asking why the Marines are there is growing more difficult, and is reaching the point where it occasions embarrassment. Illustrative of this is your recent reply to Senator Brewster.<sup>81</sup> We have many similar letters which are handled on the Office and Division level.

It is my understanding that there remain in north China something over 20,000 Marines. In addition to the places I have named above there is a small outfit at Tsingtao.

The last time we received any indication from General Marshall with regard to his attitude toward the Marines was last July.<sup>82</sup> At that time he indicated that he thought the Marines should be withdrawn as soon as it was feasible to do so but did not think that an immediate withdrawal should be undertaken.

The question naturally arises as to what would be the effect on the political-military situation in north China if the Marines were withdrawn. In the past fears have been expressed, with reason, that the Chinese Communists might benefit from such withdrawal; and even that the Russians might in some way take advantage of withdrawal. Except in so far as the Communists may be in a position to interrupt communications (which they are doing right now with the Marines in north China), it appears that the recent military successes of the National Government troops have placed them in a position to maintain their control over the area. In addition to Kalgan, they have taken strategic points in Jehol Province and are rapidly consolidating their position in southern Manchuria. Therefore, it is not believed that the position of National Government forces would be jeopardized by withdrawal of the Marines.

I suggest that you discuss this matter with the Secretaries of War and Navy tomorrow and endeavor to obtain their agreement to the dispatch of a telegram to General Marshall<sup>83</sup> asking him whether he does not think it would be feasible now to fix a date for the withdrawal of the Marines from north China. (The small detachment at Tsingtao might be excluded from consideration now if the Navy feels strongly that it is advisable to do so.) The actual date of withdrawal would not be important provided it was within the reasonably near future.

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<sup>81</sup> Letter of November 2, not printed.

<sup>82</sup> Telegram No. 250920Z, July 25, by Admiral Cooke to Admiral Towers, also sent to the War Department for information, stated: "In personal conference Nanking yesterday General Marshall stated he desired to proceed now with reduction marines at Tsingtao so that forces remaining there will be one reinforced battalion of 4th Marines Reinf 12th Service Battalion, VMR 153 and the MAB Detachment." For minutes of conversation of July 24, see p. 869.

<sup>83</sup> Telegram No. 84987, November 7, not printed.

If agreement could be reached on a date of withdrawal, our representative at the Assembly could, after making a clear and forceful statement as to why our Marines have been in north China, state that, having completed their mission, they are to be withdrawn as of (blank date). Such a statement could end all argument on this account and I believe the psychological effect would be very good.

Pertinent to this whole question is the fact that the National Assembly is scheduled to meet in Nanking on November 12 to approve the Constitution and discuss other political matters such as changes in the Government. It is not yet known whether the Chinese Communists and the democratic parties will participate in the Assembly. If they do one may assume that General Marshall's efforts have, at least for the time being, been successful. If they do not, and Chiang proceeds with the convening of the National Assembly, one may assume a "parting of the ways" (also for the time being because we cannot expect anything to be final or sharply drawn in this situation) in so far as negotiations between the Government and the dissident elements are concerned.<sup>84</sup> In either contingency, the temporary success or the temporary failure of General Marshall's mission, it would seem advisable seriously to consider withdrawal of the Marines.

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Marshall Mission Files, Lot 54-D270: Telegram

*General Marshall to the Commander of the Seventh Fleet (Cooke)*

NANKING, 7 November 1946.

1729.<sup>85</sup> General Marshall forwarded on 5 November, a memorandum (OSE 556 <sup>86</sup>) to General Chou, asking his immediate interest in securing the release of two Marines captured in the vicinity of Hsin Ho. General Chou En-lai's reply received this date states:

"I was informed that the two Marines referred to in your memo OSE 556 had already been released. However I am sending another wire to ask for confirmation. (Signed) Chou En-lai."<sup>87</sup>

For General Marshall:  
J. HART CAUGHEY  
Colonel, G. S. C.

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<sup>84</sup> See *ante*, pp. 473 ff.

<sup>85</sup> Copy sent to the Naval Attaché (Kenny), for transmittal to Admiral Cooke, by Col. J. Hart Caughey in his memorandum No. 565, November 7.

<sup>86</sup> Not printed.

<sup>87</sup> Telegram No. 071355Z, November 8, by Major General Howard to Admiral Cooke stated: "Two missing Marines released by Communists reached Tientsin 1900H 7 November unharmed."



Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Colonel Marshall S. Carter*

NANKING, 16 November 1946.

1764. Please deliver following to SecState explaining that you are now also making delivery to the President.

"I have just completed agreement with Admiral Cooke, 7th Fleet, for immediate reduction of Marine Forces by 5000, leaving balance of 10,000. Troops to leave are all of those to the north of Taku or Tangku, that is, the Combat Team now between Peitaiho and Chinwangtao, and also an Air Squadron from Peiping and some troops from Tientsin. Discussion will be taking place immediately in Peiping to determine amount of reduction that can be carried out there and in Tientsin without detriment to supply and security of Executive Headquarters. Should later developments make continuation of Executive Headquarters impractical then a complete evacuation of Marine Forces except a Guard Detachment at Tsingtao would be in order.

"Navy Department and CinCPac have not yet had opportunity to clear or approve withdrawal now agreed to out here. Shipping is available for most of the troops concerned. Admiral Cooke is making his recommendations direct to his superiors."

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter to General Marshall*

[WASHINGTON,] 18 November 1946.

85723. Reur 1764.<sup>88</sup> Mister Acheson, Acting Secretary of State, sends the following:

"I assure you that there is no pressure for a reduction as such in strength of the Marines. It was purely a question of (a) what is their mission, or (b) when will they leave; the answers to which were required to support the US position.

Accordingly, the Department of State supports the view that the primary reason for keeping Marines in China is to protect the lines of supply and communication to and maintain the security of the Tri-Partite Executive Headquarters, and that the total number required for this task can be determined only in China. Further, that if Executive Headquarters is disbanded and the US personnel thereof is removed, a reduction in the strength of the Marines to the guard and training units required at Tsingtao will probably be appropriate".

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<sup>88</sup> *Supra.*

Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Colonel Marshall S. Carter*

NANKING, 19 November 1946.

1781. Please deliver the following message to the Secretary of State:

"Your 85723<sup>89</sup> greatly appreciated. I agree completely with State Department view in second paragraph. As long as Executive Headquarters is in operation, there is an inescapable requirement for Marines to provide security and logistical support and to insure safe evacuation of U. S. personnel in event of collapse of Executive Headquarters.

In order to purify U. S. position to the maximum, while there is an absence of pressure in China, I am endeavoring to effect maximum reduction of Marines without prejudice to Executive Headquarters and fleet establishments at Tsingtao. Forces beyond these requirements are too small to serve any large purpose and are a continual source of incidents. I will keep you advised of my action on this project."

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Colonel Marshall S. Carter*

NANKING, 21 November 1946.

1792. Please inform SecState.

"Reference 1764<sup>90</sup> agreement has now been reached out here for an additional reduction of Marine strength of about 5000 making total reduction of 10,000 and bringing resultant strength down to approximately 5000 distributed roughly as follows:

Bulk in Tientsin to insure movement of supplies and protection of communications between seat at Taku and Peiping. Remainder will be at Peiping and Tsingtao with detachment at port at Taku or Tangku. The first 5000 reduction mentioned in my 1764 can be gotten under way almost immediately clearance is obtained from Navy as shipping is available. The movement out of second 5000 will depend on later shipping arrangements. Exact dispositions and strengths will be furnished later when finalized. ["]

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<sup>89</sup> *Supra.*

<sup>90</sup> Telegram of November 16, p. 883.

Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter to General Marshall*

[WASHINGTON,] 23 November 1946.

86251. I have just completed a talk with Mister Forrestal on the Marine situation reur 1803<sup>91</sup> which asked for expeditious Navy Dept action. The Navy Dept is awaiting a reply to its message to Admiral Cooke, which asked for his recommendations on the original proposal as received separately from Cooke via Navy channels for an initial reduction of 5,000 and as contained in your 1764.<sup>92</sup>

Mister Forrestal introduced a new thought into the general picture which I said I would communicate to you. He had the distinct impression, based on my first personal message 84987<sup>93</sup> and Cooke's dispatch, the latter having stated "The action is taken on General Marshall's initiative and is motivated by factors external to the immediate China situation", that you might have misunderstood the problem and were recommending reduction of the Marines purely because of pressure from Washington and perhaps against your better judgement.

I assured him that this was not the case, and again brought Acheson's reply 85723<sup>94</sup> to his attention and also your subsequent agreement and views in 1781.<sup>95</sup> I also pointed out that the quoted portion of Cooke's message above meant only that your proposal was not motivated by the apparent breakdown of negotiations caused by Chou-En-Lai's trip to Yen-an and convening of the National Assembly. I also stated my view that determination of the actual number of Marines required to perform the mission assigned was primarily a responsibility of Admiral Cooke and that I felt sure Cooke was coordinating with and was in agreement with you.

This message is intended to again make it clear that no one is putting on pressure for a reduction as such. In fact, based on my talks with the three secretaries, I am sure they would consider an increase if such is necessary.

There is complete agreement here on the mission of the Marines and all concerned are prepared to hold the line on whatever figure is determined in China to be required to perform that mission.

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<sup>91</sup> Telegram of November 23, not printed.

<sup>92</sup> Telegram of November 16, p. 883.

<sup>93</sup> Telegram of November 7, not printed.

<sup>94</sup> Telegram of November 18, p. 883.

<sup>95</sup> Telegram of November 19, p. 884.



Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Colonel Marshall S. Carter*

[NANKING,] 25 November 1946.

1810. Urgent reference your 86251<sup>97</sup> inform all parties concerned that it is my best judgement that immediate reduction of 10,000 to remaining total of 5,000 is highly desirable and should be gotten underway before some new incident creates impression of reduction under hostile pressure. The numbers to be eliminated do little or no good and really complicate the situation therefore I recommend prompt action.

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711.93/11-2946 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, November 29, 1946—3 p. m.

[Received 3 : 06 p. m.]

1996. For the Acting Secretary. I wish you to know that I believe it to be of the utmost importance that General Marshall's plan for withdrawal of some 10,000 Marines in two installments be undertaken with the least possible delay, and I hope that you are in full accord with this view and will assist in its implementation.

STUART

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter to General Marshall*

[WASHINGTON,] 30 November 1946.

86701. The following message is transmitted at the request of Mister Acheson, Acting Secretary of State:

"I have seen Stuart's 1996<sup>97</sup> of 3 PM, 29 November. I wholeheartedly support your views and have pressed for a prompt decision.

The three secretaries have stated their agreement to the primary mission of Marines as proposed by you. My position has consistently been that the number of Marines required to perform the stated mission is a military matter to be determined by the responsible military authorities in China and that agreement has been reached between you and Admiral Cooke that 5,000 Marines is adequate for the mission.

Mister Forrestal informs me that the Navy has already authorized an immediate withdrawal of approximately 3,400 Marines. The Navy has asked Admiral Cooke to confer with you in order to make a further report on the final reduction figure. Navy feels that it has a residual responsibility to review Admiral Cooke's recommendations.

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<sup>97</sup> *Supra.*

As the matter now stands Navy is awaiting Admiral Cooke's report. I would greatly appreciate your views on the results of your talk with Cooke.

Any announcement that may be contemplated with regard to withdrawal of Marines should be made as a routine matter in China."

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter to General Marshall*

[WASHINGTON,] 3 December 1946.

86852. Re 86701.<sup>98</sup> Mister Acheson informed me this morning that he had discussed the Marine situation with the President. He stated that he had told the President that he thought perhaps there existed a road block that might require the President's action before it could be lifted. Mister Acheson stated that the President replied to the effect that he was under the impression that such a road block might, in fact, exist, but that Mister Acheson should understand fully that whatever General Marshall wanted done would be done, and that the President hoped that the matter could be resolved on the Cabinet level. But if it could not be resolved, it would be done by Presidential action. These remarks of Mister Acheson were made to me in the presence of Mister Hickerson,<sup>99</sup> one of his advisors.

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter to General Marshall*

[WASHINGTON,] 6 December 1946.

87133. Re 86852.<sup>98</sup> The Navy informed me yesterday that they had received a cable from Admiral Cooke repeating to them a message from you to the effect that you had authorized a reduction of 4,000 Marines and stated that further reductions may be possible and would be the subject of subsequent discussions.

I passed this information to Mister Acheson through John Carter Vincent and subsequently received the following informal memorandum from Vincent:

"Mister Acheson has told me that he spoke to the President this morning about the Marines and told him of the message to the Navy Department containing a message from General Marshall to Cooke. I mean the message of which you spoke to me this morning and of which I immediately informed Mister Acheson.

Mister Acheson told the President that this message seemed to indicate that the matter was being worked out to the satisfaction of General Marshall.

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<sup>98</sup> *Supra.*

<sup>99</sup> John D. Hickerson, Deputy Director, Office of European Affairs.

Mister Acheson further informed me that the President told him that he had informed the Secretary of the Navy and Admiral Leahy<sup>2</sup> that he wished General Marshall's recommendations to be carried out explicitly and promptly."

In view of this message, last part of 86700,<sup>3</sup> and Acheson's 86701,<sup>4</sup> please advise me of present status of this matter and if any further action is required here at this time.<sup>5</sup>

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Colonel Marshall S. Carter*

NANKING, 17 December 1946.

1878. 1858<sup>6</sup> refers. Admiral Cooke and I have agreed on the withdrawal of the following additional Marine Units as soon as permitted by availability of shipping:

- Item *a*. The remaining 2 battalions of the 11th Marines;
- Item *b*. 1 Tank Battalion Headquarters and 1 Tank Company;
- Item *c*. 1 Fighter Squadron

The strength of the above units totals approximately 1200. Admiral Cooke will contact the Navy Department for actual withdrawal orders on these units. This withdrawal plus the 4000 Marines already under orders to leave China will reduce the Marine strength by approximately 5200. Further reductions will be recommended if the situation between Peiping, Tientsin and the sea quiets down.

Please pass this information to Mister Acheson.

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# **VI. REPATRIATION OF JAPANESE FROM CHINA; UNITED STATES POLICY REGARDING RETENTION OF JAPANESE TECHNICIANS BY CHINESE GOVERNMENT**

740.00115 Pacific War/2-746 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, February 7, 1946—4 p. m.

242. ComGen China<sup>7</sup> 21962 Feb 1 to War Dept<sup>8</sup> re repatriation Japs from China was repeated Chungking for your info.

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<sup>2</sup> Adm. William D. Leahy, Chief of Staff to the Commander in Chief.

<sup>3</sup> Telegram of November 30, not printed.

<sup>4</sup> Telegram of November 30, p. 886.

<sup>5</sup> In telegram No. 1858 of December 8 to Colonel Carter, General Marshall stated: "I will soon confer with Admiral Cooke regarding further reduction of Marines. No action is required of you at this time."

<sup>6</sup> See footnote 5, above.

<sup>7</sup> Commanding General, U. S. Forces, China Theater, Lt. Gen. Albert C. Wedemeyer.

<sup>8</sup> Not found in Department files.



Dept considers retention Japs including "technicians" in China highly undesirable and inconsistent with US policy of elimination Jap influence from China. SWNCC<sup>9</sup> paper now under consideration deals with this subject along above lines.

Dept considers it inadvisable to make official approach on this matter to Chinese at this time but desires you to make appropriate informal inquiry regarding Chinese intentions and in your discretion to inform Chinese of Dept's views as stated above. You should follow situation closely, keep Dept fully informed and, in consultation with US Army authorities, take any discreet action which may be appropriate to facilitate and expedite repatriation of all Japs from China including Formosa.

BYRNES

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740.00119 PW/3-746: Telegram

*General Marshall*<sup>10</sup> to the Secretary of State<sup>11</sup>

[CHUNGKING,] 7 March 1946.

[286.] DEAR MR. SECRETARY: General Wedemeyer informs me that the evacuation and repatriation of Japanese is now proceeding at a rapid rate from China proper and that shipping now involved in this procedure will be gradually liberated starting April 15 unless Japanese personnel from Manchuria reaches the ports ready for embarkation.

The Japanese soldiers of Manchuria are in the hands of the Russians. Japanese civilians are scattered about in the country but we have no data regarding them except in the few places occupied by Chinese troops.

What procedures should be followed? (a) I might write directly and somewhat informally to the Russian Ambassador here stating the shipping situation and requesting them to ascertain whether or not the Russian Government wished to turn over the Japanese soldiers at Dairen or other port or elsewhere for shipment home and making much the same inquiry regarding Japanese civilians or (b) The State Department make the inquiry.

The point is that unless we receive early advice this shipping will be lost to the movement.

G. C. MARSHALL

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<sup>9</sup> State-War-Navy Coordinating Committee.

<sup>10</sup> General of the Army George C. Marshall, Special Representative of President Truman in China.

<sup>11</sup> Copy transmitted to the Secretary of State by the Office of the Chief of Staff, War Department, on March 7.

740.00119 PW/3-746: Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, March 7, 1946—3 p. m.

422. For General Marshall. I appreciate receiving your message <sup>12</sup> in regard to repatriation of Japanese from Manchuria, and suggest that procedure (a) mentioned by you is more likely to produce satisfactory results than procedure (b) because I believe this is a matter which can be best understood and handled on the spot rather than through Foreign Office channels.

For your information, the Soviets informed me by memorandum of Dec 21 in Moscow <sup>13</sup> that Soviet troops in due time disarmed all the Jap troops in Manchuria and evacuated them as war prisoners to Soviet territory.

With regard to Jap civilians, I am in complete agreement with your idea of making offer to the Soviets of shipping facilities for their repatriation because I consider it highly desirable that they be removed from Manchuria as soon as possible but I do not believe that we should make an issue of the matter at this time should the Soviets prove reluctant to accept the offer.

BYRNES

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Marshall Mission Files, Lot 54-D270*General Marshall to the Soviet Ambassador in China (Petrov)*

CHUNGKING, March 9, 1946.

MY DEAR MR. AMBASSADOR: General Wedemeyer and Admiral Cooke (Commander of American Navy in Far East) inform me that the evacuation and repatriation to Japan of Japanese military and civilian personnel from China is now proceeding so rapidly (about ten thousand individuals a day) that shipping now involved in this procedure will be gradually liberated commencing April 15th next.

I would appreciate your ascertaining for me the view of your government regarding the evacuation of Japanese military and civilian personnel in Manchuria. If personnel of this character can be made available at Manchurian ports commencing April 15th, the excess shipping referred to above can be devoted to the repatriation of these people in steadily increasing numbers as the evacuation from China approaches completion.

Your early advice will be appreciated as the orders for the shipping concerned must be issued well in advance, either for its demobilization or for the repatriation referred to.

Faithfully yours,

[GEORGE C. MARSHALL]

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<sup>12</sup> *Supra.*<sup>13</sup> *Foreign Relations*, 1945, vol. VII, p. 844.

740.00119 PW/3-2046 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, March 20, 1946.

[Received March 21—11:28 a. m.]

530. Repatriation of Japanese from Formosa is subject this message (re Deptel 431, March 8<sup>14</sup>).

1. Embassy concurs in views of State-War-Navy Coordinating Subcommittee as expressed in 80010,<sup>15</sup> but wishes to make following comments:

2. While completely in agreement with reasons for and justice of plan now being carried out for repatriation of all Japanese civilians from Formosa, Embassy does not minimize seriousness of situations and disturbances to economic life and public order which completion or repatriation by April 30, 1946 will inevitably involve. (Sent to Washington 530, March 20, information ComGen China). Inquiry is made whether or not any provisions are contemplated to allow minimum number of Japanese technicians in essential services, such as transportation, public health, et cetera, to remain for longer temporary period until suitable replacements are available. If not, are any measures projected for consideration with the Chinese Government for American assistance to fill such essential technical, administrative and directive positions? Lack of competent Chinese personnel and poor showing to date of Chinese official in taking over administration of Formosa may well mean the island will face serious economic distress and possible disorder. This would appear to be neither in the interests of China nor to the advantage of the United States.

SMYTH

740.00119 PW/4-646 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, April 6, 1946—8 a. m.

[Received 11:20 p. m.]

628. Repatriation of Japanese from Formosa (see Embassy's 530, March 20 and related). For Department's information there is given below substance of message sent April 2 by China Theater Headquarters to Commanding Officer Formosan Repatriation Group:

The Gimo,<sup>16</sup> T. V. Soong,<sup>17</sup> Governor Chen Yi (of Formosa) and officers of China Theater Headquarters have discussed at length ques-

<sup>14</sup> Not printed.<sup>15</sup> Not found in Department files.<sup>16</sup> Generalissimo Chiang Kai-shek, President of the National Government of the Republic of China.<sup>17</sup> President of the Chinese Executive Yuan.



tion of retention of Japanese technicians and their dependents in Formosa. As result these discussions it has been agreed that Governor Formosa may temporarily retain a maximum of 28,000 persons, including 5600 Jap civilian technicians and about 22,400 dependents thereof. Retention of dependents not mandatory by Chinese Government but optional on part of Jap technicians concerned. Chinese Government will assume responsibility for repatriation of these technicians and dependents, including processing and water shipment from Chinese resources. No military army or navy personnel will be retained. Repatriation will be effected as rapidly as Jap technicians can be replaced by Chinese technicians or technicians of Allied nations. Under any circumstances this repatriation will be completed prior to January 1, 1947. All American army personnel will be withdrawn from Formosa before April 30, 1946, however US will complete repatriation of all but the 28,000 persons to be retained by April 15. Taking into consideration the retention of 18,000 at Kirun,<sup>18</sup> 1700 at Karenko, and 8300 at Takao, the following numbers remain to be repatriated from ports mentioned as of March 30: Kirun 6500; Karenko 20,000; Takao 21,500. All repatriates due to reach their port of embarkation areas by April 5. End message.

Info copies of above message have been sent by Headquarters to Gimo, American Embassy, Gen. Gillem,<sup>19</sup> and SCAP.<sup>20</sup>

SMYTH

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Marshall Mission Files, Lot 54-D270

*General Marshall to the Soviet Ambassador in China (Petrov)*

CHUNGKING, April 27, 1946.

MY DEAR MR. AMBASSADOR: I have received no acknowledgement of my letter to you of March 9th regarding repatriation of Japanese from Manchuria. Shipping has now become available for this purpose and an American repatriation team is expected to arrive in Hulutao this date for the purpose of coordinating the movement of Japanese who will be evacuated through that port from southern Manchuria.

Information furnished me by Supreme Headquarters Chinese Army indicates that there are approximately 800,000 Japanese in the Mukden-Dairen corridor. In order to facilitate the repatriation of those Japanese it would be extremely helpful to locate temporarily in Dairen a repatriation team of not to exceed 20 Americans whose sole purpose would be to coordinate movements of the Japanese repatriates.

<sup>18</sup> Also known as Keelung.

<sup>19</sup> Lt. Gen. Alvan C. Gillem, Jr., representing General Marshall during his absence in the United States.

<sup>20</sup> Supreme Commander, Allied Powers in Japan, General of the Army, Douglas MacArthur.

I would appreciate your advising me as soon as possible, the attitude of your Government in this regard so that I can coordinate arrangements with General MacArthur who has the responsibility for repatriation of Japanese from all of China, French Indo China and the Pacific Ocean Area.

If it is desired that this matter be adjusted on a higher level, through the State Department in Washington and Moscow, I would appreciate your notifying me accordingly.

G. C. MARSHALL

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to the Ambassador in the Soviet Union (Smith)* <sup>21</sup>

NANKING, 14 May 1946.

687. I quote below two letters addressed by me to the Russian Ambassador in China Petrov. To date no acknowledgement of either has been received although in my US absence my staff made two additional written inquiries. The first letter was written in agreement with Mr. Byrnes as an effort to save the State Department the necessity of bringing up the question in the midst of other more pressing negotiation. I tried to make my inquiries purely business communications devoid of diplomatic implications except, of course, as to Soviet intentions regarding Japanese military prisoners in their hands. In effect I was not interested in this. It was only a question of how many of total of MacArthur's ships should be prepared to stand by.

His fleet of Japanese ships, large, small, LSTs etc, are bound by allied agreement to be employed by him to evacuate Japanese, first from China, Manchuria, Korea and then from Indo China, Neth East Indies, Malayas, Burma, New Guinea, etc. Americans have had to process individuals preparatory to embarkation as Chinese had not the trained personnel available for the purpose of the Commanding General of US in China as to coordinate this with MacArthur's requirements.

I appear in the matter as the individual to contact Soviets if that is necessary. Hence, the two letters quoted below. I doubt if you can help but it might be that you could dispel any idea of a deep diplomatic plot in my action and get them to treat it as it is: as purely business to utilize shipping without delays. As to Japanese military prisoners, they could merely remain silent as to that.

[Here follow texts of letters dated April 27 and March 9 printed on pages 892 and 890.]

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<sup>21</sup> Sent through the War Department.

740.00115 Pacific War/5-1646 : Telegram

*The Acting Secretary of State to the Embassy in China*

WASHINGTON, May 16, 1946—6 p. m.

138. AP<sup>22</sup> dispatch from Mukden under date May 11 reports General Tu Li-ming<sup>23</sup> had announced that his government with advice and assistance of US Army had "assumed responsibility for repatriation of 1,300,000 Japanese from Manchuria."

Because of dearth of reliable data in Washington re number of Japanese military and civilians remaining in Manchuria Dept would be interested in obtaining any info Emb might be able to obtain re this matter. Perhaps Mukden could be helpful in this connection (sent to Nanking; repeated to Moscow as Dept's 910).

It is recalled that Molotov<sup>24</sup> informed the Secy at Moscow last Dec that Japanese soldiers in Manchuria had been removed to Soviet territory.

ACHESON

Marshall Mission Files, Lot 54-D270

*Memorandum by General Marshall to the Chinese Minister for Foreign Affairs (Wang)*

OSE 40

NANKING, May 16, 1946.

MY DEAR DR. WANG: I have been informed that there are in China certain Japanese technicians whose services would be profitable to the Government if retained. According to the figures that were handed to me, there are in the Peking area approximately 5,000; in the Tientsin area, approximately 5,000; in the Tsingtao area, approximately 6,000; and between 1,500 and 3,000 in the vicinity of Taiyuan.

Your Government appears to desire retention of certain Japanese technicians. Please advise me as to the desires of the Government in this matter, so that firm plans can be made regarding the shipping involved.

G. C. MARSHALL

<sup>22</sup> Associated Press.<sup>23</sup> Commander of the Chinese Government's Northeast Peace Preservation Corps.<sup>24</sup> Vyacheslav Mikhailovich Molotov, Soviet Minister for Foreign Affairs.



740.00115 Pacific War/5-2246 : Telegram

*The Counselor of Embassy in China (Smyth) to the  
Secretary of State*

NANKING, May 22, 1946—3 p. m.  
[Received May 22—12 : 25 p. m.]

848. Repatriation officers USAF China estimate 600,000 Japanese POW's Manchuria and 700,000 Japanese civilians. Number Japanese removed to Soviet territory not known. Best available estimate, however, would indicate not more than 200,000 predominantly military personnel.

Repatriation operations from Hulutao commenced May 7. Latest available official repatriation figure shows 23,000 Japanese repatriated as of May 12. Mukden reports movement Japs outward through Hulutao stopped after proceeding rate 5,000 daily for 5 days. (Re-Deptel 138, May 16) Mukden also reports considerable administrative confusion regarding repatriation and some indication Central Govt side is mindful of possible disadvantage they would suffer if they evacuated all Japs their zone and Communists were left with trained Japs including military personnel in their hands.

Department will be informed as later repatriation figures become available.

SMYTH

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Marshall Mission Files, Lot 54-D270

*The Chinese Minister for Foreign Affairs (Wang) to General Marshall*

NANKING, June 5, 1946.

MY DEAR GENERAL MARSHALL: In reply to your Memorandum No. OSE 40 of May 16, 1946, I beg to inform you that in order to ensure the uninterrupted operation of certain enterprises such as factories, mines and communications, in the liberated areas of China, the Chinese Government has found it necessary to retain the services of a number of Japanese technicians during the present transition period. The number of the Japanese technicians to be thus retained in different parts of China excluding the nine northeastern provinces and Formosa, is about 12,000.

Sincerely yours,

WANG SHIH-CHIEH

740.00115 Pacific War/6-1946: Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

NANKING, June 19, 1946—9 a. m.

[Received June 19—8:23 a. m.]

1011. Latest official figures Japanese repatriation from Manchuria (ReDeptel 138, May 16 and EmbTel 848, May 22) show 126,011 civilian and 7,474 military personnel repatriated as of 13 June.

Sent Dept as 1011, June 19, 9 a. m.

SMYTH

740.00119 Pacific War/6-2746

*Memorandum by the State Department Member of the State-War-Navy Coordinating Committee (Hilldring) to the Secretary of State*

SWN-4471

WASHINGTON, 27 June 1946.

By informal action on 25 June 1946 the State-War-Navy Coordinating Committee approved SWNCC 258/5 as amended by SWNCC 258/6 and SWNCC 258/7.

A copy of the revised approved paper is forwarded herewith. It is requested that the Department of State transmit the draft note in Appendix "C"<sup>25</sup> of the revised approved paper to the Chinese Government.

For the State-War-Navy Coordinating Committee:  
J. H. HILLDRING

[Annex]

#### REPATRIATION OF CIVILIAN JAPANESE FROM CHINA

Report by the State-War-Navy Coordinating Subcommittee for the Far East

[SWNCC 258/5]

#### THE PROBLEM

1. To determine United States policy concerning the repatriation of civilian Japanese from China (including Manchuria and Formosa).

#### FACTS BEARING ON THE PROBLEM

2. See Appendix "A".

#### DISCUSSION

3. See Appendix "B".

<sup>25</sup> Draft note not printed; for text, see telegram No. 397, July 2, 6 p. m., to the Embassy in China, p. 905.

## CONCLUSIONS

4. It is concluded that:

a. The United States favors the repatriation of all Japanese from China and is prepared to continue to assist the Chinese Government in attaining this end.

b. It is recognized that there may be compelling reasons for the temporary retention by the Chinese Government of a limited number of certain categories of Japanese civilians in China. The United States Government, however, should:

(1) urge upon the Chinese Government the desirability of repatriating at once Japanese civilians now resident in China except those temporarily indispensable to China's recovery.

(2) also urge the Chinese Government to adopt a policy of permitting only those Japanese to remain whose presence is required on grounds of professional or technical abilities and who, at the same time, are able to demonstrate by their past records that they do not represent any threat to the peace and security of China and are not likely to serve as an entering wedge for the resurgence of Japanese influence on the Continent.

c. As a general policy, the repatriation of Japanese military personnel should have priority over that of civilians.

d. Current directives to United States military commanders in the field and agreements between United States and Chinese military commanders adequately describe the methods by which the United States is to assist the Chinese Government in repatriating Japanese civilians from China to Japan.

## RECOMMENDATIONS

5. It is recommended that:

a. Upon approval by SWNCC, this paper be transmitted to the JCS <sup>25a</sup> for information and guidance and to the State, War, and Navy Departments and the United States member of the Far Eastern Commission for information; and

b. When this paper has been transmitted to the JCS for information and guidance, the Department of State be requested to transmit the enclosed draft note (Appendix "C") to the Chinese Government.<sup>26</sup>

## APPENDIX "A"

## FACTS BEARING ON THE PROBLEM

1. In a statement of United States policy toward China, the President on 15 December 1945 announced: <sup>27</sup>

<sup>25a</sup> Joint Chiefs of Staff.

<sup>26</sup> See telegram No. 397, July 2, 6 p. m., to the Embassy in China, p. 905.

<sup>27</sup> For complete text of statement, see Department of State, *United States Relations With China* (Washington, Government Printing Office, 1949), p. 607.



“It is the firm belief of this Government that a strong, united and democratic China is of the utmost importance for the success of the United Nations Organization and for world peace. . . .

“In continuation of the constant and close collaboration with the National Government of the Republic of China in the prosecution of this war, in consonance with the Potsdam Declaration, and to remove possibility of Japanese influence remaining in China, the United States has assumed a definite obligation in the disarmament and evacuation of the Japanese troops. . . . The United States recognizes and will continue to recognize the National Government of China and cooperate with it in international affairs and specifically in eliminating Japanese influence from China. . . . The maintenance of peace in the Pacific may be jeopardized, if not frustrated, unless Japanese influence in China is wholly removed and unless China takes her place as a unified, democratic, and peaceful nation. This is the purpose of the maintenance for the time being of United States military and naval forces in China.”

2. *Replacement of Japanese Engineers, Technicians, and Supervisors in China, Formosa, and Manchuria*

At the end of hostilities approximately 168,000 Japanese occupied key positions as engineers, technicians, supervisors, and foremen in the industry and agriculture of China, Formosa, and Manchuria. The duties of these men varied widely, but all are believed to possess at least two years of specialized training. The time and manner of their replacement by Chinese is therefore a matter of considerable importance.

a. *China Proper*

Of the 168,000 key Japanese, 48,000 were employed in China Proper. The distribution of these workers by industry for all of China is not available. Table I below presents the situation in North China. In the remainder of China, relatively more of the highly trained Japanese were probably in light industry and shipping and fewer in railroads, heavy chemicals, and mining.

Table I: Highly Trained Japanese Personnel—North China 1945

<i>Industry</i>	<i>Number of Workers</i>
Railroads and Harbors	22,700
Shipping	83
Aviation	289
Communications	1,317
Heavy Chemicals	1,730
Light Industries	744
Electricity, Gas, and Water	2,033
Civil Engineering and Architecture	1,398
Agriculture (including animal husbandry, etc.)	626
Mining	758
Others	186
Total	31,864

The problem faced by the Chinese authorities in replacing the many highly trained Japanese formerly employed in China Proper is much smaller than might be expected. With minor exceptions in the fields of iron, light metals, and chemicals, the Japanese constructed no new industry in China Proper during their occupation. Skilled Chinese personnel should accordingly be available for partially manning most of the plants taken over from the Japanese. In many cases this personnel should be sufficient for the limited level of operations possible under current transport and material shortages. In other cases, deficits of highly trained workers can be met by upgrading men from jobs requiring somewhat less skill. With the exception of the textile industry, Chinese should be able to fill all but a few essential positions after a short period of transition.

*b. Formosa*

The replacement problem in Formosa is much more difficult. The industry and agriculture of that island was to a large extent developed under Japanese supervision. Formosan Chinese were never permitted to acquire the higher administrative and technical skills. The estimated 23,000 Japanese engineers, technicians, supervisors, and foremen employed in the Formosan economy are believed to constitute the bulk of the workers in those categories on the island. Japanese are known to have enjoyed an almost complete monopoly of the higher administrative positions.

Formosans were used by the Japanese in the lesser supervisory jobs and in technical work requiring only one or two years specialized training. Some of the skilled Formosans may be able to take on greater responsibilities as the Japanese are repatriated. Also, bomb damage to sugar refineries, light metal plants, and fertilizer plants, postpones the necessity of filling a number of key positions formerly held by Japanese. The Formosan economy would nevertheless be severely crippled for some years if all or most of the highly trained Japanese in industry and agriculture were repatriated now. For this reason, an agreement has been reached between the Governor of Formosa and the Chinese Government to permit the temporary retention in Formosa of 5600 Japanese civilian technicians and about 22,400 of their dependents.

*c. Manchuria*

The situation in Manchuria appears to lie somewhat between that in China Proper and that in Formosa. As in Formosa, the Japanese in Manchuria held the majority of the top technical and administrative jobs. A greater degree of participation was, however, permitted the Manchurian Chinese than was allowed native workers in Formosa. It is assumed that this may have reflected the ostensibly autonomous status of Manchukuo, and in part the fact that much industry existed

in the area before 1931. Some Chinese may therefore already possess the training needed in positions previously occupied by Japanese. A much larger number should be able to act as replacements by being upgraded from their present jobs.

Approximately 97,000 highly trained Japanese were employed in Manchurian industry and agriculture. The number of these key workers that must be replaced by Chinese cannot be estimated on the basis of present knowledge. Extensive stripping of plants, prolonged civil war, or both, could convert an apparent skilled labor deficit into a real surplus. Additional sources of uncertainty are the questionable economic basis for much of Manchurian heavy industry and the as yet unannounced Chinese governmental policy toward continued operation of such industry. The most reasonable guess is that not all the 97,000 key Japanese need be replaced by Chinese, but that the number of trained Chinese available will still be considerably less than the number required to man operable facilities.

3. The Repatriation Plan for the China Theatre, dated 6 February 1946, was agreed to by SCAP, CinCPac,<sup>27a</sup> ComGenChina, the Chinese National Military Council and Supreme Hq. Chinese Army. Among the policies and points agreed upon were the following:

*"I. Mission:*

"The Joint Chiefs of Staff have directed the Commanding General, U. S. Forces, China Theater to render advice to the Chinese National Government in repatriation of Japanese military and civilian personnel from China proper, Manchuria, Formosa, Hainan Island, and French Indo-China, north of the 16° North Latitude.

*"II. Responsibilities*

"1. The Chinese National Government is responsible for the repatriation of all Japanese, civilian and military with the specific responsibility of disarming and delivery of all repatriates to port areas and processing preliminary to the water lift. Further, they are responsible to insure sufficient backlog of processed repatriates at each repatriation port to prevent delay in sailing of vessels.

"a. Processing and movement of Japanese to ports of embarkation is the direct responsibility of Supreme Headquarters, Chinese Army.

"2. The China Theater is responsible for maintaining liaison between the Supreme Headquarters, Chinese Army, the Chinese National Government, and 7th Fleet, SCAP and SCAJap.<sup>28</sup>

"3. The 7th Fleet is responsible for water lift involving U. S. Navy vessels.

"4. SCAJap is responsible for water lift by Japanese manned vessels.

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<sup>27a</sup> Commander in Chief, Pacific.

<sup>28</sup> Shipping Control Administrator, Japan.



“III. *Operations*

“1. China Theater will establish the order of priority for repatriation from the various repatriation ports in China and will allocate shipping from sources available to the China Theater.<sup>29</sup>

“3. *Processing and Movement of Japanese to Ports of Embarkation:*

“g. *Rations for Sea Movement:*

“(1) *U. S. Navy Vessels:* A sufficient number of rations for length of the voyage plus one day's emergency rations will be placed on board each ship by the Chinese Repatriation Control Agency at the port of embarkation. The rations placed on board to consist of one day's ration pre-cooked rice, the balance of rations to consist of dry (uncooked) rice. Ship commanders will make cooking facilities available.

“(2) *SCAJap Vessels* will be manned and operated by Japanese personnel and will carry sufficient rations, food and other stores necessary for the care and feeding of the returning repatriates.

“4. *Movement of Japanese Between China and Japan:*

“b. First priority will be granted to the movement of Japanese military and Naval personnel and second priority to the movement of Japanese civilians. Exceptions may be made when deemed necessary. Japanese will be disarmed prior to repatriation. As far as practicable, Japanese Military personnel and civilians will be segregated.

“c. Beginning approximately 1 February, LSTs and Liberties manned by Japanese crews and operated under SCAJap will be made available for repatriation from ports in China. Approximately 85 Jap-manned LSTs and 100 Liberties will be repatriation service, by end of March 1946. 30% of all captured Jap shipping in repatriation service will be assigned to China Theater repatriation.

“Note: The Chinese National Government will report all shipping recovered from the Japanese to SCAP through headquarters, China Theater. This shipping will be placed at the disposal of SCAP for use in repatriation.

“VI. *U. S. Army Repatriation Teams* will be placed at each port of embarkation in China, Formosa, French Indo-China and Manchuria except those maintained by the Marines in North China, for liaison with the local Chinese Repatriation organizations and coordination of shipping 7th Fleet and SCAJap.

<sup>29</sup> Omissions indicated in the original.

## “Annex ‘D’ ”

## “Supply Procedures in Repatriation”

“The following procedures will apply concerning repatriation supply matters:

“1. The Japanese Government is responsible in general for furnishing supplies for vessels engaged in repatriation to or from Japan.

“2. SCAP will insure that the necessary supplies for SCAJap ships are furnished by the Japanese. Vessels will be provisioned in Japan with the necessary blankets, food, and medical supplies in so far as practicable. During periods of cold weather in Japan, the Japanese will place aboard vessels departing from Japan sufficient warm clothing for repatriates to be returned to Japan from warm climates.”

4. No repatriation of Japanese civilians has been reported from Manchuria, which leaves an estimated 1,000,000 in that area. On 3 May 1946 China Theatre Headquarters reported that repatriation from Formosa was considered completed, with 32,079 civilians remaining on the island. On the same date South China was reported cleared, with no civilians remaining. A total of 68,926 Japanese civilians remained in Central and North China on 3 May. A total of 710,221 Japanese civilians had been repatriated by that date from all the above areas, plus northern Indochina.

## APPENDIX “B”

## DISCUSSION

1. The President in his statement regarding United States policy toward China of 16 December 1945 made clear that an important corollary of the basic United States policy of helping the growth of “a strong, united, and democratic China” is the elimination of Japanese influence from China. Although the President indicated that this was to be done primarily by the evacuation of Japanese troops from China, it is obvious that the elimination of Japanese influence from China also calls for the repatriation of those Japanese civilians whose presence in China would permit continued Japanese influence or would threaten the peace and security of China and thus prove to be a threat to United States security and detrimental to U. S. interests.

2. It must be recognized that many, if not most, Japanese civilians, if permitted to remain in China, would secretly strive for the resurgence of Japanese power and influence on the continent. The danger is particularly grave in view of the dominant position the

Japanese have held in the political and economic life of Formosa, Manchuria, and many parts of North China. The easiest way to eliminate the danger would, of course, be to repatriate all Japanese from China. From this point of view, it is to the interests of the United States to have all civilian Japanese repatriated from China.

3. At the same time, it should be borne in mind that Chinese authorities in several areas have expressed a need for the continued services of certain Japanese technicians. These Chinese authorities believe that because of the professional and technical skills these Japanese possess and because of the inadequate numbers of trained Chinese able to take their places, the immediate and complete expulsion of all these Japanese technicians would prove to be injurious to the economic life and general well-being of certain important areas in China. This argument would be invalidated if the United States or other Allied powers were to supply China with sufficient number of technicians at comparable salary rates, but this seems impracticable. It is possible that the Soviet Union for political reasons might be willing to do so or that large numbers of unemployed German technicians might be willing to work in China at the salary scale of the Japanese technicians, but these alternatives would raise new problems fully as grave as those resulting from the presence of Japanese technicians in China.

4. The course of wisdom would seem to be a rational compromise between these two conflicting points of view. The elimination of Japanese influence in China would necessitate a drastic reduction of the numbers of Japanese in China and the expulsion of all individuals who might prove to be a threat to peace and security but would not necessarily call for the repatriation of all Japanese. It appears that the great majority of Japanese in China desire to be repatriated, and these should all certainly be sent home. It is reported that even in Formosa, where the Japanese have been longest and are best entrenched, about 60 percent desired immediate repatriation. Of the remainder, which for China as a whole is probably far less than 40%, only those should be permitted to remain whose presence is required on grounds of professional and technical abilities and who, at the same time, have been able to demonstrate on the basis of their past records that they do not represent any threat to peace and security in the Far East, and are not likely to serve as an entering wedge for the resurgence of Japanese power and influence on the continent. A rigid application of these two tests would leave in China a group of Japanese which would be relatively small in numbers and little likely to be a threat to Chinese peace and security and yet which would be able to make a maximum contribution to the economic life and general well-being of China.



5. The United States is following a policy of repatriating from the United States to Japan only those Japanese who desire repatriation or are believed to be disloyal to the United States and a threat to its peace and security. The United States, furthermore, recognizes that the question of the repatriation of civilian Japanese by other Allied powers is in each case a domestic problem to be decided by the individual nation concerned. Under these circumstances, it would not be proper for the United States to insist upon the repatriation from China to Japan of all or even certain categories of Japanese civilians resident in China. The most that the United States can do is to urge the Chinese Government to adopt the course of action outlined above and to continue to assist the Chinese Government in carrying out the repatriation program it decides upon.

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740.00115 PW/6-2946 : Telegram

*The Ambassador in the Soviet Union (Smith) to the  
Secretary of State*

Moscow, June 29, 1946—10 a. m.

[Received June 29—7:35 a. m.]

2044. Following is translation of letter from Lozovski,<sup>30</sup> dated June 27:

Soviet military authorities propose that repatriation of Japs located in port of Dalny<sup>31</sup> and in naval base area be carried out through port of Dalny in manner similar to that which was proposed by Soviet representatives in Tokyo for repatriation of Japs from northern Korea.

In event of acceptance of such procedure, Soviet military authorities of naval base at Port Arthur will be responsible for delivery to port of Dalny of those being repatriated, their sanitary processing and embarkation on vessels, while staff of General MacArthur will be responsible for delivery of those being [repatriated] on ships at its disposal from port of Dalny to Japan. Details of repatriation of Japs through port of Dalny could be agreed upon in Tokyo.

As regards repatriation of Japs located beyond boundaries of naval base area and Dalny, the Soviet military authorities consider it expedient to use for repatriation of these Japs other nearby Manchurian ports. The Soviet Ambassador in China has been instructed to inform General Marshall of above proposal of Soviet military authorities.

Department please repeat to Tokyo and Nanking for General Marshall.

SMITH

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<sup>30</sup> Solomon Abramovich Lozovsky, Soviet Deputy Minister for Foreign Affairs.

<sup>31</sup> Dairen.

740.00115 Pacific War/7-246: Telegram

*The Acting Secretary of State to the Embassy in China*

WASHINGTON, July 2, 1946—6 p. m.

397. Please communicate promptly text following note to FonOff:

"At the Joint Conference on repatriation of Japanese held at Tokyo on October 25-27, 1945, in which Chinese representatives participated, it was agreed that the Chinese Government would be responsible for the repatriation of Japanese disarmed military personnel and civilians from the China Theatre. Consonant with the terms of the Potsdam Declaration<sup>32</sup> and in continuation of the constant and close collaboration between our two Governments, the United States Government has been assisting and will continue to assist the Chinese Government in effecting this repatriation and thus eliminating Japanese influence from China. The United States Government notes with gratification that this repatriation, in general, is proceeding satisfactorily.

The Chinese Government will readily agree that most, if not all, Japanese civilians, if permitted to remain in China, might secretly strive for the resurgence of Japanese power and influence there. This danger would be particularly grave in view of the dominant position the Japanese have held in Formosa, Manchuria and many parts of North China. The surest way to eliminate this danger would be to repatriate all Japanese from China. On the other hand, the Chinese authorities in several areas are understood to have expressed a need for the continued services of certain Japanese technicians. These Chinese authorities have indicated that, because of the professional and technical skills possessed by these Japanese technicians, and because of the inadequate numbers of trained Chinese able to take their places, these Japanese technicians are indispensable to the economic life and general well-being of certain important areas of China.

The United States Government remains of the opinion that, in keeping with the Potsdam Declaration and with a view to the elimination of all risk of a possible resurrection of baleful Japanese influence in Chinese territory, all Japanese nationals remaining in China should be repatriated within the near future. Granted that there may be valid reasons for the temporary retention by the Chinese Government of certain Japanese civilians with special qualifications, the United States Government nevertheless feels it highly desirable that the great majority be repatriated as soon as possible, including all those who desire repatriation, and that only those Japanese be permitted to remain who are clearly indispensable on grounds of their professional or technical qualifications for which there is no Chinese equivalent and who, at the same time, are able to demonstrate by their past records that they do not represent any threat to the peace and security of China. Specifically, those specialists who are permitted to remain should be able to demonstrate conclusively that they have no ownership or important managerial status, that they are without substantial property interests in China and are not representatives of such interests, and that they have never been members of chauvinistic societies or parties.

<sup>32</sup> July 26, 1945, Department of State *Bulletin*, July 29, 1945, p. 137.

The United States Government has made available considerable United States shipping and personnel in order that the repatriation of Japanese may be expeditiously accomplished. These resources are being withdrawn from this service as they become excess to requirements. Every effort should be made to repatriate the maximum number of Japanese while the organization and means are readily available.

The United States Government is confident that the Chinese Government shares in the views expressed above and takes this opportunity to renew its assurances of its desire to assist the Chinese Government in every appropriate way in implementing its program of repatriating Japanese civilians resident in China and in eliminating every trace of pernicious Japanese influence from the continent of Asia."

For your info above note reflects US policy embodied in paper approved by SWNCC June 25. Please radio date note delivered FonOff.<sup>33</sup>

ACHESON

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Marshall Mission Files, Lot 54-D270

*The Soviet Ambassador in China (Petrov) to General Marshall*

NANKING, July 4, 1946.

MY DEAR GENERAL: In connection with your letter of April 27th, I deem it necessary to inform you of the following proposals of the Soviet military authorities concerning repatriation of the Japanese from Manchuria. The Soviet military authorities propose that repatriation of the Japanese from the Port of Dairen and the area of Port-Arthur naval base should be carried out through Dairen, the order of repatriation being similar to that, proposed by the Soviet representatives in Tokyo in regard to repatriation of the Japanese from Northern Korea.

If this order is accepted, the Soviet military authorities will assume the responsibility for delivering the *rapatriees* to the port of Dairen, sanitation service and their embarkment whereas General MacArthur's Headquarters will be responsible for their transportation by the ships at their disposal from Dairen to Japan.

Details of repatriation through Dairen could be agreed upon in Tokyo.

As far as the Japanese outside the naval base and Dairen are concerned, the Soviet military authorities are of the opinion that for their repatriation it is advisable to use other near-by ports of Manchuria.

Sincerely yours,

A. A. PETROV

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<sup>33</sup> Note No. 262, July 6, was sent to the Chinese Ministry for Foreign Affairs.



Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to the Ambassador in the Soviet Union (Smith)*

[NANKING,] 22 July 1946.

1163. Your message dated 29 June, 10 a. m.<sup>33a</sup> concerning repatriation of Japanese through port of Dairen was received. I appreciate your efforts in this matter. Four days later I received a letter from Ambassador Petrov here in Nanking setting forth the identical information which I promptly relayed to the info addresses<sup>34</sup> of this message. I have been informed by Executive Headquarters that there are 364,000 Japanese reported south of Ta Shih Chiao along the Mukden-Dairen railroad distributed as follows: Dairen, 250,000; Port Arthur, 100,000; and on peninsula north of Port Arthur and Dairen proper, 14,000. The information which you passed to me specifies that repatriation of Japanese located beyond boundary of naval base area and Dairen should be handled through nearby Manchurian ports. This would take care of the 250,000 and 100,000 referred to above, but not the 14,000. The repatriation of the 14,000 would probably require a long journey to Hulutao via Mukden by rail, cart and foot which probably would be difficult through the already congested Port of Hulutao prior to the setting in of winter. I therefore suggest that you make representations to the Soviet military authorities with a view toward handling the total estimated 364,000 through the Port of Dairen.

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740.00115 Pacific War/8-2946

*The Chinese Acting Minister for Foreign Affairs (Kan) to the American Ambassador in China (Stuart)*<sup>35</sup>

[Translation]

No. 05666/Tung/35

[NANKING,] August 17, 1946.

EXCELLENCY: I have the honor to acknowledge the receipt of your note of July 6<sup>36</sup> transmitting the views of your Government with regard to the repatriation of Japanese nationals and Japanese prisoners of war and to the retention for service of Japanese technical personnel.

The Chinese Government's views regarding the repatriation of Japanese nationals and Japanese prisoners of war is in general identical with that which was stated in your note under reply. As regards

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<sup>33a</sup> Telegram No. 2044, p. 904.

<sup>34</sup> Supreme Commander for the Allied Powers in Japan, China Service Command and Peiping Headquarters Group.

<sup>35</sup> Copy transmitted to the Department by the Ambassador in China in his despatch No. 68, August 29; received September 10.

<sup>36</sup> See telegram No. 397, July 2, 6 p. m., to the Embassy in China, p. 905, and footnote 33, p. 906.

the small number of Japanese technical personnel now being retained by the Chinese Government for service, they have all volunteered for such services themselves, and, furthermore, this has enabled the continuance of operation of a number of industrial, mining, and communications enterprises. During this transitional period, those who are being retained for service temporarily will not be given positions of control (will not hold title as manager or overseer), nor will they be owners of any properties whatsoever, or representatives. As soon as the training of Chinese technical personnel is completed, this work will be successively taken over and (the Japanese technical personnel) will be repatriated to Japan.

I would appreciate your transmitting the above for the information of the United States Department of State.

Accept [etc.]

(Stamped) KAN NAI-KUANG

(Sealed) Ministry of Foreign Affairs

740.00115 Pacific War/9-2446 : Telegram

*The Acting Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, September 24, 1946—6 p. m.

783. SCAP has expressed concern over delay in repatriation Japanese nationals from Manchuria. States increasing number petitions signed by thousands interested relatives as well as heavy daily mail constantly being received by GHQ and Chairman Allied Council. Furthermore Jap Govt has submitted petition on repatriation Jap nationals from Manchuria and Siberia. SCAP has received reports grave health conditions affecting Japanese now Manchuria and points out situation will become infinitely worse coming winter due exhaustion fuel, food, clothing, lack of medical supplies, bedding, etc., and generally poor physical conditions of people.

Increasing apprehension and unrest in Japan regarding this matter may hinder objectives occupation. In view above and for humanitarian considerations SCAP suggests that Dept request Chinese and Sov Govts render all practicable relief and assistance to Jap nationals their respective areas and to allow mail communication subject to censorship, between Japanese nationals in their areas and in Japan Proper.

Dept requests you inquire FonOff regarding conditions Chinese controlled areas and urge relief measures mentioned above if you deem practicable. Dept is addressing note to Sov Govt<sup>37</sup> on whole subject repatriation urging *inter alia* these interim relief measures.

Sent Nanking repeated Tokyo [496].

CLAYTON

<sup>37</sup> Telegram No. 1704, September 24, 6 p. m., to the Ambassador in the Soviet Union, not printed.

740.00115 Pacific War/12-1946

*The American Ambassador in China (Stuart) to the Chinese Minister  
for Foreign Affairs (Wang)* <sup>38</sup>

No. 565

[NANKING,] December 2, 1946.

EXCELLENCY: I have the honor to refer to the Embassy's note No. 262 of July 6, 1946 <sup>39</sup> and to Your Excellency's Note No. 05666/Tung/35 of August 17, 1946, in regard to the repatriation of Japanese and to the retention of Japanese technical personnel in China.

Officials of the Chinese Government have informed the American military authorities concerned that a large number of Japanese technicians are being withheld from repatriation. According to an estimate made by United States military authorities who have been concerned with repatriation of Japanese, there are 70,000 so-called technicians and members of their families withheld from repatriation in Manchuria. The American military authorities have learned from the Generalissimo's Northeast Headquarters that that Headquarters has received instructions to the effect that "all the Japanese technicians and workers that are required in the Northeast can be retained".

In view of the Chinese Government's attitude in this matter, as set forth in Your Excellency's note above-mentioned, I am confident that it is not the intention of the Chinese Government to withhold from repatriation large numbers of Japanese technicians and that accordingly there must be some misunderstanding on the part of the officials charged with responsibility in the matter.

My Government shares with Your Excellency's Government the desire to carry out the program of repatriating Japanese civilians from China and of eliminating all pernicious Japanese influence from China. Accordingly, such steps as Your Excellency may take toward bringing this common purpose to the attention of the authorities concerned, will be greatly appreciated.

Please accept [etc.]

[J. LEIGHTON STUART]

740.00115 Pacific War/12-1946

*The Chinese Minister for Foreign Affairs (Wang) to the American  
Ambassador in China (Stuart)* <sup>40</sup>

[NANKING,] December 14, 1946.

[Received December 16.]

EXCELLENCY: In connection with the retention for employment of Japanese technical personnel in Manchuria, I have the honor to ac-

<sup>38</sup> Copy transmitted to the Department by the Ambassador in China in his despatch No. 347, December 19, 1945, received January 9; not printed.

<sup>39</sup> See telegram No. 397, July 2, 6 p. m., to the Embassy in China, p. 905, and footnote 33, p. 906.

<sup>40</sup> Copy transmitted to the Department by the Ambassador in China in his despatch No. 347, December 19, 1945; received January 9.



knowledge the receipt of Your Excellency's formal note No. 565 of December 2, 1946 requesting that the matter be called to the attention of the relevant authorities.

In response, I have the honor to refer to the Ministry's formal note No. Tung-35/05666 of August 17 which was addressed to the Embassy in reply concerning the repatriation of Japanese nationals and Japanese prisoners of war and the retention for employment of Japanese technical personnel, and to state that in this connection action will of course be taken by the Chinese Government in accordance with the principles of the Potsdam Declaration and that circular orders have been issued to the Chinese Government departments to act in strict accordance therewith. While further telegrams are being addressed to the authorities concerned calling their attention (to the matter), I have the honor to indite this reply for your information.

Accept [etc.]

(Stamped) WANG SHIH-CHIEH

(Sealed) Ministry of Foreign Affairs

Marshall Mission Files, Lot 54-D270 : Telegram

*Lieutenant General Alvan C. Gillem, Jr., to the Chief of Staff  
(Eisenhower)*

PEIPING, 28 December 1946.

102. Figures follow for Japanese Repatriation from China during period 21st December through 27th December :

Formosa : repatriated : Military nil. Civilian 4,986.

North China : repatriated : Military nil. Civilian 791.

Manchuria : repatriated : Military nil. Civilian 1,452.

Total Japanese repatriated from Manchuria to date :

Military 17,361

Civilian 993,476

Aggregate 1,010,837.

Total Japanese repatriated from China (including Manchuria and Formosa) to date :

Military 1,240,942

Civilian 1,765,800

Aggregate 3,006,742.

New subject: Okinawans repatriated from Formosa : 279. Total Okinawans repatriated to date : 9,949.

New subject: Koreans repatriated from Manchuria : 2524. Total Koreans repatriated from China (including Manchuria and Formosa) : 61,371.

## FINANCIAL RELATIONS BETWEEN THE UNITED STATES AND CHINA:<sup>1</sup> DISCUSSIONS ON THE SETTLEMENT OF WAR ACCOUNTS; EXPORT-IMPORT BANK LOANS AND CREDITS

893.51/1-446 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, January 4, 1946—4 p. m.

18. For General Marshall.<sup>2</sup> Board of Directors of Eximbank<sup>3</sup> approved Jan 3 a line of credit of \$33,000,000 to finance shipments of cotton to China.

BYRNES

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893.51/1-1446 : Telegram

*The Acting Secretary of State to the Embassy in China*

WASHINGTON, January 14, 1946—8 p. m.

85. For Adler<sup>4</sup> from Secretary of the Treasury.<sup>5</sup>

For your information the following resolutions were adopted by the National Advisory Council on January 8, 1946:

1. Chinese Request for \$560 million Export-Import Bank Credit.

“The National Advisory Council does not recognize any commitment with regard to the Chinese Government request for a \$560 million Export-Import Bank credit as the first portion of a 3-year program totaling approximately \$2 billion.”

2. Financial Assistance to China.

“a) A major program of financial assistance to China should be postponed until such time as political and economic developments provide a more adequate basis for decision.

“b) In accordance with the recommendation of General Marshall, a credit of \$30 to \$50 million at long term should be extended by the Eximbank to cover procurement in the United States of such urgently needed transportation and telecommunications equipment as may not be available as surplus.

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<sup>1</sup> Continued from *Foreign Relations*, 1945, vol. VII, pp. 1055 ff.

<sup>2</sup> General of the Army George C. Marshall, Special Representative of President Truman in China.

<sup>3</sup> Export-Import Bank of Washington.

<sup>4</sup> Solomon Adler, Treasury representative in China.

<sup>5</sup> Fred M. Vinson.

"c) When and if political and economic developments in China make it appropriate to aid that country through the granting of major credits, the Eximbank should authorize utilization of such a credit only on a project-by-project basis.

"d) When General Marshall deems negotiations desirable, the United States will negotiate with China simultaneously on war settlements, including settlement of United States Army and Navy obligations to China, the sale of United States surplus property in China,<sup>6</sup> and the settlement of lend-lease.<sup>7</sup> The United States negotiators shall be guided in such negotiations by the principle that the Chinese Government should agree to offset Chinese obligations on account of lend-lease and the purchase of surplus property against the United States Army and Navy obligations."

[Vinson]  
ACHESON

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893.24/1-1746 : Telegram

*The Acting Secretary of State to the Embassy in China*

WASHINGTON, January 17, 1946—6 p. m.

101. For General Marshall. 1. There are several problems outstanding with the Chinese arising out of lend-lease, surplus property disposal, credits previously extended to the Chinese, yuan advances, and related matters. This Government wishes to inaugurate discussion with Chinese leading to settlement of these matters at an appropriate time. Would appreciate your views. The problems in question are outlined in the succeeding paragraphs.

2. *US Army and Navy Yuan Obligations.*

A. These are obligations to compensate Chinese (a) for Yuan expenditures by Chinese on behalf of U. S. armed forces in China; and (b) for advances of Yuan to U. S. armed forces for procurement of services and supplies in China. In the past amounts of U. S. dollar payments for such Yuan advances were not settled at official exchange rate but were determined by mutual agreement from time to time. Two U. S. dollar settlements with Chinese have already been made<sup>8</sup> covering Yuan obligations through 1944, but estimated 130 billion Yuan advances for calendar year 1945, plus advances for 1946, remain to be settled.

B. The problem is the extent to which it is possible and appropriate to offset against any U. S. dollar obligation to pay for Yuan advances

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<sup>6</sup> For correspondence on this subject, see pp. 1033 ff.

<sup>7</sup> For correspondence on this subject, see pp. 724 ff.

<sup>8</sup> See letter of December 23, 1944, from the Secretary of the Treasury to the Secretary of State, *Foreign Relations*, 1944, vol. VI, p. 948; and letter of June 27, 1945, from the Secretary of the Treasury to Dr. Kung, *ibid.*, 1945, vol. VII, p. 1108.



and expenditures the value of assistance furnished to China through lend lease, sale of surplus property, extension of credits, etc. The general objective of the Government in this connection is contained in recent policy statement of National Advisory Council which reads:

"When General Marshall deems negotiations desirable, the U. S. will negotiate with China simultaneously on war settlements, including settlement of U. S. Army and Navy obligations to China, the sale of U. S. surplus property in China, and the settlement of lend-lease. The U. S. negotiators shall be guided in such negotiations by the principle that the Chinese Government should agree to offset Chinese obligations on account of lend-lease and the purchase of surplus property against the U. S. Army and Navy obligations."

### 3. *Lend-Lease pipeline in United States.*<sup>9</sup>

A. This point covers pipeline of supplies in U. S. contracted for but not transferred before V-J Day. Pipeline is valued at \$62 million of which transportation equipment is \$33 million, textiles \$7 million, miscellaneous \$10 million, freight and services \$12½ million. It is estimated that \$20 million of these supplies have been shipped and that balance will be shipped by summer 1946. In an exchange of letters <sup>10</sup> between FEA <sup>11</sup> Administrator Crowley <sup>12</sup> and Mr. Soong,<sup>13</sup> which is viewed here as a firm commitment, the Chinese were offered and accepted these supplies on credit terms over 30 years at 2⅓ percent interest. Although U. S. is committed to deliver supplies, and China has agreed to pay for them at cost plus transportation and packaging, no formal agreement exists as to details of the transaction. Chinese may request 10 percent discount on agreed price citing similar concession to USSR as a precedent. Any such request will probably be received unfavorably.

B. Chinese continue to press for negotiation of detailed agreement under paragraph 3 (c), Lend-Lease Act,<sup>14</sup> to formalize commitment contained in Crowley-Soong correspondence. As supplies are going forward under commitment covered by Crowley-Soong letters, present view here is that it is not necessary to sign formal agreement now as a separate matter, but rather to try to include this matter in overall settlement envisaged in NAC <sup>15</sup> policy outlined in paragraph 2B.

### 4. *Civilian lend-lease inventory in Chinese possession on V-J Day.*

A. This category refers to supplies obtained by civilian agencies of the Chinese Government and still unconsumed and in their possession

<sup>9</sup> For further correspondence on this subject, see pp. 724 ff. and footnote 28, p. 743.

<sup>10</sup> August 22 and 24, 1945, *Foreign Relations*, 1945, vol. VII, pp. 1133-1134.

<sup>11</sup> Foreign Economic Administration.

<sup>12</sup> Leo T. Crowley.

<sup>13</sup> T. V. Soong, President of the Chinese Executive Yuan.

<sup>14</sup> Approved March 11, 1941; 55 Stat. 31.

<sup>15</sup> National Advisory Council.

on V-J Day, which are estimated here to have had a procurement cost (exclusive of transportation and packing for which approximately 25 percent should be added) of \$20 million. Precedent for disposition these supplies is found in British over-all settlement<sup>16</sup> wherein U. S. will receive fair current value of similar type supplies held by British on V-J Day, the date set for termination of civilian lend-lease. Fair current value was utilized in this category in British settlement rather than 100 percent of actual cost referred to in paragraph 3A because of cost to U. S. of recapture and because depreciation of value prior to V-J Day may properly constitute non-reimbursable lend-lease. Understand that Chinese are proceeding with preparation of inventory which they have been requested to submit.

B. Although policy of requiring repayment for this type of supplies has received general agreement in the Government and is supported by British precedent, open questions in this category are the price at which these supplies are to be valued and the terms under which payment will be exacted.

5. *Military lend-lease supplies in Chinese possession on V-J Day.*

A. Under Chinese lend-lease agreement,<sup>17</sup> President has right to request return, at the end of the emergency, of all lend-lease supplies (both military and civilian) not lost, destroyed, or consumed. General policy has been to write off lost, destroyed, or consumed supplies whether civilian or military in type. In the British settlement, as indicated in paragraph 4A, repayment was requested for those supplies not lost, consumed, or destroyed which were held by civilian agencies. However, acceptance as a precedent of the method of disposition adopted in the British settlement of supplies not lost, consumed, or destroyed and held on V-J Day by military and naval authorities would permit China to retain these supplies for its own use (without right of transfer to other nations) without payment, reserving to the U. S. the right of recapture, coupled however, with a general assurance that there is no present contemplation of exerting the recapture right. Excluded from this category and that in paragraph 6 are lend-lease aircraft useful for commercial operations which are subject to different consideration and will be treated in later message.<sup>18</sup>

B. Although the total value of military transfers of goods and services before V-J Day is estimated at approximately \$700 million, no inventory of the supplies in this category, not lost, consumed or

<sup>16</sup> See joint statement by the United States and the United Kingdom, December 6, 1945, Department of State *Bulletin*, December 9, 1945, p. 910. For agreements signed on March 27, 1946, see Department of State Treaties and Other International Acts Series (T.I.A.S.) No. 1509 or 60 Stat. (pt. 2) 1525.

<sup>17</sup> Signed at Washington, June 2, 1942, Department of State Executive Agreement Series (E.A.S.) No. 251; or 56 Stat. (pt. 2) 1494.

<sup>18</sup> See telegram No. 204, February 1, 9 p. m., to the Embassy in China, p. 767.

destroyed and held by the Chinese on V-J Day, has been requested; and their exact amount is not known. It is not likely that such inventory will be requested because of the peculiar situation controlling in China under which military lend-lease continued after V-J Day. Present policy in Washington would support an arrangement with the Chinese regarding such supplies similar to that previously agreed upon with the British, referred to in paragraph 5A above. Although precedent in the case of British settlement would in effect write off any obligation under this category as a cost of the war, the fact that the right of recapture exists makes disposition of this category important in any discussion of offset against the Yuan advances.

6. *Military Lend-Lease Supplies Transferred to Chinese after V-J Day.*<sup>19</sup>

A. All transfers of military supplies made to the Chinese after V-J Day have been made in the theater under JCS 771/18.<sup>20</sup> No complete information as to their quantity or value is now available in Washington, although estimates indicate the value of supplies and services so transferred in the first 2 months after V-J Day will exceed \$400 million. Moreover, it is apparent that transfers being made currently are of substantial value, e. g., it is estimated the value of the winter clothing necessary for the equipment of the Chinese Armies being moved to Manchuria will exceed \$20 million.

B. Military transfers after V-J Day might well be treated the same as those prior to V-J Day. In such case, supplies and services lost, destroyed, or consumed would be written off. The balance existing at such time as lend-lease terminates would then be handled in the same way as is outlined in paragraph 5. However, there are practical distinctions applicable to post V-J Day transfers. The transfer of supplies or services of such substantial value after public announcement of the general termination of lend-lease aid and after the close of the active combat phase of the war presents obvious political implications. Moreover, the transfers to China, effected after V-J Day, have substantial political as well as purely military significance to China and may have substantial post-war usefulness. Consideration is, therefore being given in Washington as to the advisability and propriety of applying some method of reimbursement to the military transfers made after V-J Day, at least to the extent of setting off their value against United States obligations with respect to Yuan advances.

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<sup>19</sup> For correspondence on this subject, see pp. 724 ff., *passim*.

<sup>20</sup> Copy not found in Department files; it implemented President Truman's directive of September 5, 1945, regarding Lend-Lease.



7. *Civilian Lend-Lease Inventory as of V-J Day in India-Burma Theater.*<sup>21</sup>

A. This category involves approximately 60 thousand tons of civilian type supplies now stranded in India and was subject of 90012, dated 22 December,<sup>22</sup> in which question of continuing negotiations with respect to their disposition between Chinese and FLC representative General Johnson<sup>23</sup> was submitted to you for recommendation. General Johnson has been instructed to clear all negotiations with you. It is assumed here from your 1285, dated December 26,<sup>24</sup> Johnson's subsequent reports have been coordinated with you. He now reports that Chinese desire all supplies now in Calcutta, aggregating approximately 36 thousand tons which includes 57 hundred boxed three-ton Dodge commercial trucks. Johnson has recommended release of balance of FEA supplies located at Chabua and Sukkur as surplus. With respect to the 57 hundred trucks located in Calcutta, Johnson indicates a good commercial market in Philippines. FLC, Washington, proposes to advise Johnson, subject to his obtaining your concurrence, that he may dispose of Calcutta stockpile to Chinese under Lend-Lease Act on payment terms to be negotiated and to declare surplus to FLC for normal surplus disposition of stockpiles in Sukkur and Chabua as soon as formal rejection is received from Chinese.

B. Unless you determine to the contrary, fact that disposition of this category of supplies is rather far advanced and desirability of relieving burden on India-Burma Theatre makes it seem wise to continue to treat this question separately rather than to include it in any overall settlement but any obligation created as a result of such disposition may be considered in the overall settlement.

8. *Surplus U. S. Property in China.*

A. This category divides into the Army surpluses in West China and those in East China. General Wedemeyer<sup>25</sup> has already disposed of Army surpluses in West China<sup>26</sup> for \$5 million down-payment, plus \$20 million to be paid on 3 (*c*) terms and plus reduction of U. S. Yuan debt by 5,160,000,000 Yuan. Chinese agreed that if dollar

<sup>21</sup> For correspondence on this subject, see pp. 1060 ff.

<sup>22</sup> *Post*, p. 1060.

<sup>23</sup> Brig. Gen. Bernhard A. Johnson, Field Commissioner, China and Eastern Areas, Office of the Foreign Liquidation Commissioner (OFLC). The OFLC was established in the Department of State in October 1945 with responsibility for the disposition of United States surplus property in foreign areas, Lend-Lease matters and liberated area requirements.

<sup>24</sup> *Post*, p. 1062.

<sup>25</sup> Lt. Gen. Albert C. Wedemeyer, Commanding General, U. S. Forces, China Theater.

<sup>26</sup> See Embassy telegram No. 2116, December 7, 1945, *Foreign Relations*, 1945, vol. VII, p. 1191.

value of Yuan advances to U. S. Army as finally settled should exceed \$5 million U. S., they would use excess either to make payments on their \$20 million U. S. balance due or to purchase other property in the United States. Before your arrival in China, China Field Commissioner of FLC had begun negotiations with Chinese for sale of surpluses in East China. The value of East China surpluses is not known here, but it is believed it exceeds the value of West China surpluses. East China surpluses include any Navy surpluses which may be shipped to Shanghai for storage and other Navy and Army surpluses now located in Pacific which could be shipped to China. No knowledge here of whether negotiations have continued since your arrival but assume you have been kept fully informed.

B. View here is that in light of NAC policy stated in paragraph 2B above, balance of West China surpluses should not be treated as a precedent in that the deferred payments of \$20 million were not offset against Yuan balances. It is suggested that in over-all negotiations effort should be made to induce Chinese to permit the \$20 million to be offset and that disposition of East China surpluses should include this offset feature.

9. *Chinese Navy request to purchase Pacific surpluses on credit.*<sup>27</sup>

A. Admiral Mar<sup>28</sup> of Chinese Navy has requested authority to purchase on approved credit terms \$5 million worth of surplus property (machinery and supplies) which he has specifically located in various areas, mostly Pacific, and which is available for transportation to China for use by Chinese Government in Shanghai shipyard where U. S. vessels are repaired. He states that Soong refuses to include any part of this as offset against U. S. Yuan debt.

B. View here is that U. S. position should be consistent and that position should be maintained that sale of this category of supplies will not be made unless purchase price can be included, if the U. S. so desires, as an offset against the Yuan debt. Of course, if the obtaining of these supplies by the Chinese is of sufficient importance to your mission, that you are of the view that sale of this property should be negotiated without reference to the Yuan debt, question will be reconsidered in the light of your recommendation.

10. *\$500 million loan*<sup>29</sup> *to China approved in 1942.*

A. The United States and China on March 21, 1942 entered into an agreement<sup>30</sup> under which the United States extended \$500 million of financial aid to China. Determination of terms of settlement of this

<sup>27</sup> For correspondence on this subject, see pp. 1069 ff.

<sup>28</sup> Rear Adm. Pellian T. Mar, Chief of the Chinese Naval Construction Mission.

<sup>29</sup> For correspondence on this subject, see *Foreign Relations*, 1942, China, pp. 419 ff.

<sup>30</sup> Signed at Washington, Department of State *Bulletin*, March 28, 1942, p. 264.

aid is set forth in Article II of the Financial Aid Agreement as follows:

"The final determination of the terms upon which this financial aid is given, including the benefits to be rendered the United States in return, is deferred by the two contracting parties until the progress of events after the war makes clearer the final terms and benefits which will be in the mutual interest of the United States and China and will promote the establishment of lasting world peace and security. In determining the final terms and benefits full cognizance shall be given to the desirability of maintaining a healthy and stable economic and financial situation in China in the post-war period as well as during the war and to the desirability of promoting mutually advantageous economic and financial relations between the United States and China and the betterment of world-wide economic and financial relations."

This credit was extended at a time when it appeared that financial assistance to China might be a necessary prerequisite to her continued active participation in the war. China has at times informally indicated the view that repayment should not be demanded, and according to China would mean that the amount of the loan would become part of U. S. war costs. This Government has not accepted the Chinese view. However, the status of the loan has been the subject of many communications which have passed between the President and the Gimo<sup>31</sup> and the Secretary of the Treasury and Mr. Soong and Dr. Kung.<sup>32</sup> Mr. Adler of the Embassy Staff is familiar with the details regarding this item and can advise you.

B. The National Advisory Council is now considering the question of the settlement of the \$500 million loan, including the desirability of including this item in an over-all financial settlement. Among the factors being considered is whether in view of the past history of this \$500 million loan, its inclusion in any over-all financial settlement would appreciably strengthen the position of the American negotiators and, if not, whether it might not be more desirable to exclude the loan from any over-all financial settlement and thus make it available to obtain other concessions in the future.

11. With respect to the foregoing, it is desired to determine (1) whether the interest of the United States will best be served by negotiating the solution of all problems at one time or whether they may be handled piecemeal; (2) the timing of such negotiations; and (3) the place or places where the negotiations can most effectively be conducted, i. e., Washington or Chungking.

12. A. In the light of the NAC policy, referred to in paragraph 2B above, it is believed here, subject to your approval, that the solution

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<sup>31</sup> Generalissimo Chiang Kai-shek, President of the National Government of the Republic of China.

<sup>32</sup> H. H. Kung, formerly Vice President of the Chinese Executive Yuan and Minister of Finance.



to all questions posed should be sought in one over-all settlement negotiation except for the reservations indicated in paragraph 9 above with respect to the handling of the \$500 million loan negotiated in 1942.

B. The timing of negotiations depends to a large degree upon the status of your negotiations in the discharge of your mission. So far as Washington Departments are concerned, their preference would be to institute negotiations promptly. However, the Washington view is that the effect of instituting negotiations upon your mission must, for the present, be the determining factor on this point. It may be that the immediate institution of negotiations would strengthen your hand as an indication of the good faith of the United States Government and its desire to reduce to agreed form the present unsettled condition, resulting from its economic relations with China during the war period. On the other hand, it may be advantageous to us to withhold the initiation of such negotiation until you have had opportunity to progress further your negotiations.

C. The fact that the U. S. records and personnel familiar with the history of the subject matters involved are more readily available in Washington than in Chungking would make it more convenient to negotiate the settlement here. On the other hand, only in Chungking can definitive answers be obtained from the Chinese Government. If negotiations were initiated in Chungking under your supervision, the United States side would benefit from the prestige of your present mission. It is recognized that if negotiations are to be initiated in Chungking, it would be necessary for the Government to augment the Embassy staff temporarily with experts familiar with the various problems involved. Even if negotiations were to be initiated in Chungking, it is likely that final details of the settlement would have to be completed in Washington. It is considered here that it would be practical if you determine that the initiation of negotiations in Chungking is desirable to obtain agreement upon basic principles such as (1) the extent to which the principle of offsetting the value of lend-lease assistance and surplus property sales against the Yuan advances and expenditures will be recognized; (2) the categories of lend-lease assistance which will be accepted as having been furnished without reimbursement of any kind, those categories for which immediate cash reimbursement will be required or which will be offset against Yuan obligations, and those for which credit reimbursement will be accepted; and (3) the financial terms upon which credit payments will be made, by category of supplies.

D. Your comments and recommendations would be appreciated.

E. Treasury has participated and concurred in this telegram.

ACHESON

893.51/1-1746: Telegram

*The Acting Secretary of State to the Embassy in China*

WASHINGTON, January 17, 1946—7 p. m.

103. For Adler from Treasury. Please bring to attention of General Marshall immediately following action taken January 15 by National Advisory Council concerning conditions for financial assistance to China:

"When future political and economic developments in China provide reasonable assurance that credits will serve a purpose beneficial to both China and the United States, the National Advisory Council in passing on any recommendations for substantial credits pursuant to its action of January 8, 1946,<sup>33</sup> will be guided by the following principles:

1. A commitment for a substantial credit to the Chinese should not be made prior to satisfactory action by that Government with respect to the following:

(a) The prompt negotiation of a treaty of commerce and navigation.

(b) The establishment of acceptable exchange facilities either by making foreign exchange available at reasonable rates to American nationals, or by giving the Embassy a written waiver of penalties against individuals or companies who, in the absence of reasonable official rates of exchange, may have resorted to the open market.

(c) Steps toward the stabilization of Chinese currency, including the allocation by China of sufficient foreign exchange resources for this purpose. In this connection, China should be assured that if desired, technical advice of the International Monetary Fund or of proper agencies of the U. S. Government will be available.

2. The determination of the actual amount and timing of substantial credits for specific projects, which will of course take into account the usual economic and financial factors, should also be related in a flexible manner to the character of Chinese action in the following and related matters:

(a) Commercial policy of a non-discriminatory character.

(b) Tariff policy appropriately adapted to China's resources and markets rather than to the development of a self-sufficient economy.

(c) Clarification of conditions governing the operation of foreign companies in a manner similar to those commonly imposed by other commercial countries.

(d) The admission of foreign companies to different categories of business on a most-favored-nation basis; adequate protection of legitimate rights of property, and assurance against discriminatory treatment of foreign companies and nationals.

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<sup>33</sup> See Department's telegram No. 85, January 14, 8 p.m., p. 911.

(e) Clarification and extension of the area of private trade and enterprise, whether foreign or Chinese.

(f) Plans for the development of China's economy of a character which will not unduly handicap existing Chinese or foreign enterprises.

(g) Satisfactory progress in settling such war obligations as lendlease and the purchase of surplus property."

[Treasury]

ACHESON

102.1/1-1746: Telegram

*The Acting Secretary of State to the Embassy in China*

WASHINGTON, January 17, 1946—7 p. m.

104. (For Adler from Treasury). The Chinese have indicated that they desire to resume shipments of gold to China on commercial vessels. Please inform General Marshall that Treasury is interposing no objections to such shipments.

2. Chinese have requested us to transfer \$1.5 million from \$15 million on books of Treasury for expenses incident to the purchase of textiles. Unless General Marshall recommends otherwise, Treasury prepared to make requested transfer. [Treasury.]

ACHESON

893.24/1-1746: Telegram

*The Acting Secretary of State to the Embassy in China*

WASHINGTON, January 17, 1946—7 p. m.

105. For General Marshall from Colonel Davis:<sup>33a</sup> Detailed radio being despatched today<sup>34</sup> regarding surplus property referred to Embassy telegram 115, dated 16 January.<sup>35</sup> Length of this radio resulted from fact that it became vehicle for establishing coordinated governmental views. One difficulty in determination of timing and scope of negotiations with Chinese on points covered therein raised here is fact that both Yuan advances by Chinese and extension of lend-lease assistance by U. S. continue. My personal view is that this fact need not prevent the initiation of negotiations regarding the principles to govern the over-all settlement at such time as you deem appropriate and that determination of such principles cannot properly be disassociated from your over-all mission.

<sup>33a</sup> James C. Davis, General Marshall's representative in Washington.

<sup>34</sup> Telegram No. 101, to the Embassy in China, p. 912.

<sup>35</sup> Not printed.



Cable regarding present status UNRRA <sup>36</sup> program was despatched as Deptel 98, dated 16 January.<sup>36a</sup> Dollar value present tentative allocation of UNRRA funds for China program to 1 March 1947 is \$562,500,000 to which has been added estimated 20% to cover shipping which results in total of approximately \$675,000,000. Of the \$562.5 figure approximately \$37,500,000 represents the 1945 procurement program, leaving \$525,000,000 for 1946 and first quarter of 1947. Within this last figure only firm program decided upon to date is procurement program for first 6 months of 1946 totaling \$407,000,000, which is broken down as follows:

<i>Category</i>	<i>Amount</i>	<i>Percentage</i>
Food	\$111, 600, 000	27½ %
Clothing and textiles	92, 100, 000	22½ %
Medical	24, 600, 000	6 %
Agricultural (including fishing)	42, 000, 000	10 %
Industrial (covering transportation and telecommunciations)	136, 700, 000	33½ %
	<u>\$407, 000, 000</u>	<u>100 %</u>

No commodity breakdown of balance of program has yet been made. Your view as to advisability of allocating further UNRRA funds to China even though it may result in procurement of equipment and supplies in excess of China's ability to absorb and distribute with resulting stockpiling and as to the character of supplies and the timing of commitment for their provision all in the light of the present political situation and status of your mission will largely determine position of State Department and US member UNRRA Council.<sup>37</sup>

With respect both to UNRRA question and that of settlement of lend-lease, surplus property, Yuan advances and similar questions, it is difficult here to know if information going forward meets your needs either as to character or extent. Your advice will be appreciated. [Davis.]

ACHESON

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893.51/1-1846 : Telegram

*The Acting Secretary of State to the Embassy in China*

WASHINGTON, January 18, 1946—8 p. m.

117. For General Marshall. Further to Urtel 2241, December 29,<sup>38</sup> to which paragraph numbers refer. Two and 2c, 3. Deptel 85, January 14, contains action of NAC taken 8 January, which implements

<sup>36</sup> United Nations Relief and Rehabilitation Administration.

<sup>36a</sup> Not printed.

<sup>37</sup> William L. Clayton, Assistant Secretary of State for Economic Affairs.

<sup>38</sup> *Foreign Relations*, 1945, vol. VII, p. 1198.

your recommendations with respect to manner of extending substantial credit by Eximbank.

Two *a*, Deptel 103, January 17 contains action of NAC taken on 15 January. NAC policy would permit extension of credit to Chinese after satisfactory action by Chinese Government with respect to the prompt negotiation of a treaty of commerce and navigation. NAC action did not go as far as to require conclusion of treaty as prerequisite to extension of credit. (See also Deptel 2057, December 24,<sup>39</sup> and 17, January 4.<sup>40</sup>)

Two *b*, 1 and 2. The questions raised by you were considered by NAC on 15 January. NAC action is contained in paragraphs 1 (*b*) and (*c*) of Deptel 103, January 17. Pursuant to NAC action, China may be assured, when you believe it advisable, that technical advice from either or both of the International Monetary Fund or of proper agencies of this Government will be available.

New subject: Reference here is to paragraph *b*, Deptel 2089, December 29.<sup>41</sup> Representatives of Department have conferred with other agencies and departments associated with NAC with respect to advisability of Eximbank tentatively setting aside or earmarking any particular amount to provide later Eximbank loan to China. Consensus of view here is that difficulties in estimating amount desirable for such credits and the timing of its extension, together with the existence of similar difficulties with respect to future Eximbank credits for other countries, make such a set aside inappropriate at present.

ACHESON

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811.20200 (D)/1-2046: Telegram

*The Acting Secretary of State to the Embassy in China*

[Extract]

WASHINGTON, January 22, 1946—8 p. m.

135. For General Marshall from Colonel Davis.

*Cotton Loan:* Contract with Chinese providing extension of credit not yet signed. Still too early to estimate dates and quantities arrival in Shanghai. UNRRA here has matter under investigation and will inform Kizer<sup>42</sup> directly from time to time as situation develops. Present UNRRA procurement program for first 6 months 1946 calls for 125,000 tons at approximately 20,000 tons per month, equivalent of

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<sup>39</sup> *Foreign Relations*, 1945, vol. VII, p. 1194.

<sup>40</sup> *Ibid.*, p. 1204.

<sup>41</sup> *Ibid.*, p. 1203.

<sup>42</sup> Benjamin H. Kizer, Director of UNRRA in China.

500 to 550 thousand bales. It is estimated that maximum Chinese can purchase under loan is 300,000 bales (refer Deptel 78, January 18<sup>43</sup> to Shanghai, repeated to Chungking). Have recommended to UNRRA here that Kizer be advised to treat indigenous supply, UNRRA imports, and Chinese loan imports together as one program in dealing with Chinese on distribution, end production and other matters. [Davis.]

ACHESON

893.24/1-2546 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, January 25, 1946—9 a. m.

[Received 5 : 58 p. m.]

155. From General Marshall: Outstanding financial problems.

1. *a.* I concur in the conclusion in your 12*a* that an overall settlement should be sought with the exception of reservations indicated in your paragraph 10 (Urtel 101 of January 17).

*b.* Re your 12*b*. It appears better not to institute negotiations at present. I will notify you when it appears advisable to initiate negotiations. Your comments are requested as to whether institution of negotiations for an overall settlement should await initiation of discussions on further loans to China.

*c.* Re your 12*c*. It appears preferable to conduct negotiations for overall settlement in Washington in which case it would be desirable to reach agreement between Washington and me on basic principles. Further cable from me on basic principles will follow.<sup>44</sup>

2. Re your paragraph 2. I endorse the offsetting principle but point out that amount of Chinese obligations to US will far exceed our obligations to her.

3. I agree with your 3*b*.

4. Re your 4. I agree that British precedent should be applied to civilian lend lease inventory in Chinese possession on V-J Day and that same principle of utilizing fair current value in selling price should be applied. As for terms of payment, range of bargaining would appear to be between 3*c* Lend-Lease terms and terms in this settlement.

5. Re your 5. I agree with present policy in Washington as stated in your 5*b*.

6. Re your 6. It appears desirable to suspend decision pending further developments both of my mission and of negotiations on overall settlement.

<sup>43</sup> Not printed.

<sup>44</sup> See telegram No. 320, February 18, 10 a. m., from the Counselor of Embassy in China, p. 943.



## 7. Re your 7.

a. With respect to the Calcutta stockpile Johnson originally recommended that we offer it to Chinese at cost plus transportation, amount to be offset against our obligations to China for Yuan advances. I accepted his recommendation and offer was accordingly made to Chinese Govt. Johnson now cables from Shanghai that Soong has made counter-proposal that in view of the need for husbanding China's foreign exchange resources the greater part of which will have to be reserved for currency stabilization, he is unable to consider any other terms than what would correspond to the West China settlement—that is 20% in cash and the balance over a period of 30 years. Johnson now recommends that if Soong will not make an all cash offer even at 20% discount for cash (which I am sure he won't) the Calcutta stockpile be sold to the Chinese Govt at 3c terms with down payment of 20 or 25% cash. Johnson adds that Soong's tentative offer would meet with Treasury approval by addition of suggestion if possible of a clause providing for the offsetting principle against our CN <sup>45</sup> debt. But I am convinced in the light of the West China surplus property negotiations that if this is only made as a suggestion the Chinese will turn it down.

It is obvious that Soong is doing his best to avoid acceptance of the offsetting principle. In my opinion the Calcutta stockpile is one of the best instances we have on which to insist on its acceptance as there is no military emergency involved and other markets exist. I will make a final offer to him of 75% of cost plus transportation with 3c terms of payment provided that any excess of settlement of United States indebtedness to China for army expenditures in China over China's indebtedness for Calcutta stockpile be applied to the immediate offsetting of her debt on this stockpile. If he turns it down I will instruct Johnson to dispose of the trucks in the Philippines. I believe this procedure is preferable to FLC proposal to advise Johnson that he may dispose of Calcutta stockpile to Chinese under Lend-Lease Act on payment terms to be negotiated.

b. I concur in FLC (Foreign Liquidation Commission) proposal to declare stockpiles in Sukkur and Chabua surplus to FLC for normal surplus disposition as soon as formal rejection is received from China.

c. I agree with your 7b.

8. Re your 8a. I agree that settlement of West China surplus should not be treated as precedent and that disposition of East China surpluses and of such surpluses as China acquires from Pacific should include offset feature. But I doubt the wisdom of trying to induce Chinese to permit the \$20,000,000 outstanding to us on the West China

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<sup>45</sup> Chinese national currency.

surpluses to be offset. The West China agreement has already been signed and was dealt with on military emergency basis. At time of its negotiation General Wedemeyer asked Gimo to accept the offset principle and was turned down. (See Emtel 2116 of December 7 <sup>46</sup>). The Chinese would most probably take the attitude that it is water over the dam and reopening the question would not serve any useful purpose.

b. Surpluses physically in East China are small according to Johnson but Navy and Army surpluses in Pacific which could be shipped to China from Pacific are very substantial and constitute a useful bargaining weapon to us.

9. Re your 9. I agree with your view as stated in first sentence of your 9b, pending my obtaining any further relevant information from Admiral Murray <sup>47</sup> who is making study and recommendations on Chinese naval requirements. [Marshall.]

SMYTH

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893.51/1-2546 : Telegram

*The Acting Secretary of State to the Embassy in China*

WASHINGTON, January 25, 1946—3 p. m.

149. For Adler from Treasury. For your confidential information for use in discussions with General Marshall there is quoted below an extract from draft minutes of NAC meeting of Jan 15, 1946 on subject of conditions for financial assistance to China. These minutes have not been officially approved and must be regarded as being in draft form.

"Secretary Vinson believed that the conditions stated were necessary. For example, he pointed to a requirement that the Chinese Government should take satisfactory action in the form of 'steps towards' the stabilization of their currency. If anything, this did not go far enough. Before agreeing to a major credit, he would require very specific evidence that the 'steps towards' currency stabilization were real ones and that the problem was going to be solved. If this and other conditions were not met, he thought that a loan of the public's money would be wasted."

[Treasury]

ACHESON

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<sup>46</sup> *Foreign Relations*, 1945, vol. VII, p. 1191.

<sup>47</sup> Rear Adm. Stuart S. Murray, U. S. Navy.

893.51/1-2646 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, January 26, 1946—noon.

[Received January 27—3:05 a. m.]

165. From General Marshall. Modification of 2(a) of my 2241 of December 29<sup>48</sup> in NAC resolution of January 15, substantially acceptable to me. (Reurtel 117 of January 18.) Should the Chinese response to the draft treaty show any wide divergences between their approach and ours the extension of credit might then be made dependent on conclusion of a satisfactory treaty. We will be better able to determine the appropriate kind of action after the Chinese have presented their response to the draft treaty and negotiations commence with the arrival of Wilson.<sup>49</sup>

2. I concur with the consensus of view in Washington that it is inappropriate to make a set aside for later Eximbank credit for China at present. [Marshall.]

SMYTH

893.24/1-2646 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, January 26, 1946—1 p. m.

[Received January 27—6:28 a. m.]

166. From General Marshall to Colonel Davis: Estimates of Agriculture Attaché Dawson indicate that China's needs for cotton imports are not more than 550,000 bales for the next 6 months. Refer explanation Shanghai 260, November 24<sup>50</sup> (Reurtel 135<sup>51</sup>). I therefore recommend coordination of shipment of China loan cotton imports and UNRRA cotton imports to prevent their exceeding this maximum, unless it becomes necessary to revise above estimates upward as a result of increase in factory operations more rapid than at present anticipated. Cotton shortage in Shanghai now acute, but as soon as this situation is remedied desirable to reconsider UNRRA cotton imports to avoid excessive accumulation of stocks on hand by Chinese or alternatively to ship bulk of loan cotton after mid-year.

2. I agree with recommendation in last sentence of your message. [Marshall.]

SMYTH

<sup>48</sup> *Foreign Relations*, 1945, vol. VII, p. 1198.

<sup>49</sup> Robert R. Wilson, of the Division of Commercial Policy, sent to China to serve as one of the negotiators of the commercial treaty.

<sup>50</sup> *Foreign Relations*, 1945, vol. VII, 1184.

<sup>51</sup> January 22, 8 p. m., p. 923.



102.81/1-2846 : Telegram

*The Consul General at Shanghai (Josselyn) to the  
Secretary of State*<sup>52</sup>

SHANGHAI, January 28, 1946—9 a. m.

[Received February 2—7 : 19 a. m.]

116. This is from Commercial Attaché<sup>53</sup> for State and Commerce in reference to Department's 82, January 21, 5 p. m.<sup>54</sup> Situation described was true for about a fortnight after receipt by banks of instruction of January 10 from local office of Ministry of Finance. Chase Bank manager interpreting instruction as making permissible remittances by means of so-called Authorities to purchase which provides for payments against documents in New York. Close translation of the instruction, however, seems to preclude all forms of remittance abroad based on receipt of foreign currency notes here, and Chase Bank manager has now decided no longer to provide this form of accommodation. National City Bank has not even provided authorities to purchase for customers but has stuck closely to its interpretation of the instruction. (Sent to Dept as Shanghai Serial 118 [116], Jan 28, 9 a. m., repeated to Chungking as 52).

Thus, bank accommodations for the financing of imports from the United States appear impossible, for the time being, except through Bank of China which probably in meritorious cases would still accept blocked for free funds. No one at the moment wants to test the question as to whether the customs would still pass export shipments of US currency notes for fear of customs refusal, thereby establishing an undesired precedent. The American banks would not attempt such shipment as the instruction clause "or any other transactions for payments abroad" seems to preclude it.

There are other channels through which remittances to the United States are possible, such as the United Clearing Board for mission, education and relief agencies, which now sells upwards of 1 million dollars US monthly in the Shanghai open market, lately at rates as much as CN 100 dollars better per US dollar than the prevailing rate obtainable at exchange shops. However, such means are obviously limited as compared with demand.

There is a feeling among some in financial and trade circles that despite the intimation in the instruction to banks that this measure is to be in force only temporarily or briefly pending the setting of an official exchange rate, the actual setting of an official rate may still be considerably protracted.

<sup>52</sup> Corrected on basis of copy in Shanghai post records.

<sup>53</sup> A. Bland Calder.

<sup>54</sup> Not printed; it requested confirmation of report that Chinese Government regulations prohibited acceptance of U. S. currency for remittance to the United States (102.81/1-746).

It seems logical to conjecture that, from the Government's point of view, there is no urgency, with certain commodity exceptions, to facilitate general imports pending the settlement of other major issues. Chinese Government well knows that the setting of a rate [say] at CN dollars 1500 to the US dollar, which is slightly above the current [Shanghai] open market rate, would tend to speed up imports but would not [aid] exports, since the latter are stymied not only by the lack of and high cost of transportation facilities but also by prohibitive inflationary prices in the interior. Considering the degree of inflation, a rate of exchange which would make exports possible might have to be manyfold the current Shanghai rate. In the meantime immediately pressing import needs are being provided by UNRRA and by the reported US 20 to 30 million dollars Export-Import Bank loan for raw cotton and there are indications that Chinese officialdom is thinking in these terms and may also be in somewhat of a quandary as to how to deal with this and other related situations. [Calder.]

JOSSELYN

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811.51693/1-2846 : Telegram*The Consul General at Shanghai (Josselyn) to the Secretary of State*

SHANGHAI, January 28, 1946—11 a. m.

[Received 10:10 p. m.]

117. Saw Minister of Finance<sup>55</sup> January 26 at his request. He stated he had learned there was some feeling on the part of the American bankers in Shanghai over the fact that the Bank of China is accorded a special position in exchange operations. He said the Government did not wish to give the Bank of China a monopoly and that it would be prepared to consider according like facilities to the American banks but that the latter had made no move to register with the Chinese Government. Have informed managers of National City and Chase Banks of foregoing conversation. (Sent to Chungking as Shanghai serial 53, January 28, 11 a. m., repeated to Department as 117).

Minister of Finance also stated in confidence that a rate of exchange would be set soon.

JOSSELYN

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<sup>55</sup> O. K. Yui.

893.51/1-2946 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, January 29, 1946.

[Received January 29—1:43 p. m.]

178. For Secretary [of] Treasury from Adler: Herewith two statements from the Central News [Agency] of January 17 and 26 respectively.

1. "Shanghai. Banking establishments here are instructed not to open deposit accounts or transact overseas remittances in foreign currencies for their clients according to an announcement issued by the commissioner's office of the Ministry of Finance for the Shanghai-Nanking area. Announcement said that transactions in foreign currencies prior to the promulgation of China's foreign exchange regulations will seriously affect the nation's financial policy".

2. "Shanghai. In an interview with local pressmen today Mr. O. K. Yui, Chinese Minister of Finance, said that the final details for a solution of the foreign exchange problem [have been?] worked out by the Government and will be made public soon. He added that despite heavy expenditure for reorganization of the army, the Ministry of Finance will readjust the tax system to stabilize currency and commodity prices and to strive to coordinate financial with economic policy.

Regarding Bretton Woods monetary agreement <sup>56</sup> Mr. Yui revealed that Mr. Hsi Te Mou <sup>57</sup> and Mr. T. V. Soong who are now both in America have been appointed as Chinese delegates to a conference of the signatory nations to be held in the United States. (Presumably this refers to the informal discussions due to begin in Washington shortly). He added that China had paid her subscription. (Presumably this refers to 11 thousandth of 1 percent of its total fund quota and 11 thousandth of 1 percent of its total subscription to the bank). According to the Chinese Minister the estimated budget of the Ministry of Finance for this fiscal year represents an increase of 13 times over that of the preceding year.

Minister Yui conferred with local financial leaders this morning. He listened to reports by representatives of local banking circles and discussed with foreign financial leaders about the operations of foreign banks here."

[Adler]

SMYTH

893.51/1-2946 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, January 29, 1946—9 a. m.

[Received 10:48 a. m.]

179. For Secretary of the Treasury from Adler. Exchange situation.

<sup>56</sup> Signed at Washington, December 27, 1945, T.I.A.S. No. 1501; or 60 Stat. (pt. 2) 1401.

<sup>57</sup> Representative in the United States of the Chinese Ministry of Finance and the Central Bank of China.



1. Re [1?] of Emtel 178 of January 29, National City Bank informed me on my last trip to Shanghai over weekend of January 19 that it did not mind this new regulation at this time. This opinion was not shared by Chase. I understand British and other foreign banks are unhappy about this regulation.

Prior to this regulation Chase was making both inward and outward remittances, paying out and receiving US currency against TTS <sup>58</sup> from and to New York. After this regulation was announced Chase ceased accepting US currency for outward remittances but continued meeting inward remittances. National City Bank which had been making neither inward nor outward remittances informed me in a letter of January 24 that Jian Chen <sup>59</sup> said on January 23 that it could pay US currency against all inward remittances and also against its travellers' checks. He was noncommittal, however, on how such US currency could be obtained. Presumably the status of remittances and payments in US currency will be clarified in scheme referred to in 2 below.

2. Re 2 of Emtel 178. I am reliably informed that Soong's chief financial advisers have been working on a scheme whereby the exchange market would be left relatively free with a modicum of exchange controls and with the Government intervening in the market when it deemed it to be necessary. Presumably this [is?] the scheme O. K. Yui was referring to in his press conference. General belief prevalent in Shanghai is that scheme will be announced around Chinese New Year, i. e. over this weekend.

The possibility of significant flights of capital occurring under such a scheme must be given serious consideration. It is being argued by some of the proponents of this scheme that the flight of capital would not be serious as flight capital might to a large extent be used to finance imports. But this argument would lose much of its force should the Chinese situation [be?] disturbed or unsettled. The impact of a possible large scale flight of capital on China's foreign exchange position and on the need for future loans from the United States and international monetary organizations needs no emphasis.

3. I understand O. K. Yui plans to take action during his visit to Shanghai to terminate present monopolistic position of Bank of China with respect to Chinese exports. This monopoly was the subject of several informal conversations I had with both O. K. Yui and Soong in which it was pointed out that not only was such monopoly discriminatory against foreign and other Chinese banks but that it was creating a most unfortunate impression in foreign circles as to the future trend of Chinese Government economic policy. [Adler.]

SMYTH

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<sup>58</sup> Telegraphic transfers.

<sup>59</sup> Deputy Governor of the Central Bank of China.

893.51/1-2946 : Telegram

*The Consul General at Shanghai (Josselyn) to the Secretary of State*

SHANGHAI, January 29, 1946—11 a. m.

[Received January 29—10:40 a. m.]

126. There seems to be a range of possibilities explanatory of the Chinese Government's restrictive measure of January 10 in which it virtually instructed local American banks to make no remittances in any form whatever abroad on the basis of US currency notes paid in here, thus making the financing of imports difficult for many and impossible for some. (This is supplemental to my 118 [116], January 28, 9 a. m. and should be considered also in light of my 117, January 28, 11 a. m.)

Is it not likely that by now the Chinese authorities sense our cessation of active discussion and furtherance of negotiations on various economic matters in their interest, in accordance with the Dept's secret directive<sup>60</sup> issued at the time of General Marshall's arrival in China, and that restrictive measures now being taken or contemplated may be in the nature of mild or covert retaliation? (Sent to Department; repeated to Chungking as 56.) In other words, if we are going to mark time in our plans for aiding China pending definite Chinese action in meeting our views on major political issues, is it not quite likely that they may feel in turn that their bargaining position in these and other negotiations would be enhanced either by postponing action or going slow in the matter of facilitating the resumption of trade? If such is the case, does it not seem quite likely that the setting of a rate of exchange for foreign trade and the granting of permission to remit abroad and the deciding of procedures for banks to follow in financing imports may be delayed for some time further or until other major issues are settled? This, despite confidential statements or the circulation of rumors from time to time to the effect that the setting of a rate of exchange is soon to be made?

If these questions can be answered in the affirmative, then it would seem likely that the mere fact of the American banks not having yet registered with the Chinese Government would scarcely be of sufficient weight or importance in this interim stage of relations, to warrant the rather drastic action of January 10 in virtually blocking imports. It will thus be of interest to consider the confidential statement of the Minister of Finance in light of these probabilities and of future developments.

Foregoing is contributed by Commercial Attaché and is to be followed by further information and comment.

JOSSELYN

<sup>60</sup> Quoted in telegram No. 2022, December 19, 1945, to the Chargé in China, *Foreign Relations*, 1945, vol. VII, p. 1376.

102.1/2-446 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, February 4, 1946—2 p. m.

[Received 2:30 p. m.]

214. From Adler to Secretary of Treasury: No objection raised by General Marshall to transfer one and one-half (1.5) million dollars from 15 million dollars on books of Treasury for expenses incident to the purchase of textiles. (Reference your telegram 104, of January 17). In accordance with your instructions have informed General Marshall of Chinese desire to resume gold shipments. [Adler.]

SMYTH

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893.24/1-2546 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, February 4, 1946—8 p. m.

217. For General Marshall:

1. Re your 1 b, Department does not feel that negotiations for disposal of surplus property, Yuan advances and settlement of lend-lease should await initiation of negotiations for further credits. (Urtel 155, Jan. 25.)

In view of this, your comments are requested on the following procedure:

That we initiate negotiations for overall settlement of war accounts in Washington as soon as practicable, say the end of February.

That discussions regarding further credits be postponed until we can see how war settlement negotiations proceed.

In suggesting this procedure, it is believed here that a prolonged delay in the settlement of war accounts will in the end be disadvantageous to this Government, particularly in regard to the disposal of surplus in the Pacific.

2. With respect to the scope and amount of Eximbank credits and United States participation in programs for the reconstruction and development of China and other countries, the National Advisory Council is now considering the following general policy:

a. The United States is desirous of participating to the greatest extent practicable in sound programs of reconstruction and development.

b. It is placing primary reliance on the International Bank for Reconstruction and Development for financing such programs. In addition to this Government's large capital subscription to the Bank, it is anticipated that nearly all of the Bank's funds will be raised by placing its debentures and guarantees in the United States money market.



c. The International Bank will probably be in a position to make only small commitments this year, and these in the fall and winter.

d. However, the Eximbank will be used to meet interim urgent reconstruction needs requiring commitment of funds in 1946, and deliveries until about the middle of 1947.

The necessity of requesting Congress to provide additional funds to the Eximbank to meet the purposes in *d* above is being studied. In this study we have suggested a top figure for China of \$500 million. In the absence of substantial additional funds from Congress for the Eximbank, the rigid application of the above principles might well result in a considerably smaller amount, perhaps \$300 million, for China. Your comments are requested as to political effects of a possible scaling-down of the China credits in view of the fact that when you undertook your mission, Chinese anticipated getting \$500 million and of the further fact that all discussions have been blacked out except as you advise.

3. Department concurs with remarks in 8*a* of your telegram.

Treasury Department agrees with this telegram.

BYRNES

811.51693/2-546 : Telegram

*The Consul General at Shanghai (Josselyn) to the Secretary of State*

SHANGHAI, February 5, 1946—9 a. m.

[Received 3 : 14 p. m.]

156. Chase and National City jointly cabled New York February 3 requesting authority register China branches with Ministry Finance and suggesting that reply be made through State Department confirming authority of managers to act on behalf their respective banks. (Sent to Dept as Shanghai serial 156, Feb 5, 9 a. m., repeated to Chungking as 65). Reference my 53, Jan 28, 11 a. m. to Chungking, repeated to Dept as 117.

JOSSelyn

893.51/1-2646 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, February 6, 1946—6 p. m.

236. For General Marshall from Colonel Davis. Delay has been occasioned in signing of contract for extension of Eximbank credit for cotton. Negotiations now being held by Chinese and Eximbank representatives on following points:

a. Desire of Eximbank to secure assurances from Chinese that cotton purchased with credit will be equitably distributed between Government controlled and private textile mills;

b. Desire of Eximbank to secure assurances that private mill owners, if resources are available to them, will be permitted to make their own private imports of cotton;

c. Request of Chinese to use Eximbank credit for purchase of private imports already shipped to China on consignment by US cotton merchants.

Eximbank is concerned over apparent setting up of Chinese Government monopoly in cotton and are anxious to secure representations on the part of the Chinese for protection of private mill owners (re Deptel 135 of 22 January and Urtel 166 of 26 January).

Both UNRRA Washington and Eximbank consider it necessary to coordinate the China loan and UNRRA cotton imports. UNRRA Washington is developing plans toward this end, and efforts are also to be made to coordinate private commercial imports. Present indications of UNRRA representatives are that UNRRA program of 125,000 tons will not be reduced as result of credit, unless requested by Chinese. However, need is clearly recognized for coordination in phasing of procurement and shipment of separate import programs as result of which UNRRA program may very likely extend beyond the originally planned period of first 6 months of 1946.

UNRRA has sent cable to its China office, presenting facts from this end and asking for report and recommendation. Suggest that Dawson maintain contact with UNRRA China office so that estimate of situation with respect China's needs and ability to absorb can be agreed at that end. [Davis.]

BYRNES

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893.24/2-846 : Telegram

*The Counselor of Embassy in China (Smyth) to the  
Secretary of State*

CHUNGKING, February 8, 1946—11 a. m.

[Received 11:15 a. m.]

247. From General Marshall: Procedure proposed in your 1 is acceptable to me. (Reurtel 217 of February 4.) However, if negotiations are begun at the end of February it might be desirable to stall along for a few days to give me time to see what progress the meeting of the Central Executive Committees of the leading parties scheduled to take place at the beginning of March<sup>61</sup> are making to enable me to make a definitive recommendation to you on the basis of such progress.

2. It is essential in my opinion that Eximbank should be in a position to make a half billion dollar loan available to China at the

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<sup>61</sup> For correspondence on this subject, see vol. ix, pp. 131 ff.

appropriate time. At the same time it is not desirable before further progress has been made in China for Eximbank publicly to ask for the earmarking of a half billion specifically for China. Would appreciate it if you could avoid both horns of dilemma, though I realize that such a procedure would be very difficult to follow before Congressional Committee. To put it another way, if a delay in approaching Congress now will involve a still greater delay in obtaining the necessary authority, in that case I would agree to a frank presentation to Congress.

3. Would you have any objection to my informing the Chinese of substance of your 2 *a*, *b*, *c*, and *d* at the appropriate time? [Marshall.]

SMYTH

893.24/2846 : Telegram

*The Secretary of State to the Consul General at Shanghai (Josselyn)*

WASHINGTON, February 8, 1946—3 p. m.

199. From OFLC McCabe <sup>62</sup> for General Marshall. Reference your 155, January 25 and our 101, January 17, section 4. Regarding civilian lend-lease inventory in hand of Chinese but unconsumed as of V-J Day. These goods include 1438 Dodge trucks and an unlisted amount of supplies roughly estimated by Stanton FEA Special Representative in China at 15,000 tons arsenal raw materials and industrial, transportation and communication equipment and manufacturing materials. August 19 [18,] 1945, Crowley as FEA Administrator wrote <sup>63</sup> officially to the Chinese Ambassador, as Chairman of the Chinese Supply Commission <sup>64</sup> suggesting discussions and negotiations for discontinuance of lend-lease and stating

"It will be necessary in the course of our discussions to have an inventory of lend-lease supplies furnished by the Foreign Economic Administration still under the control of your government. It is requested, therefore, that you furnish as soon as possible an inventory listing as of V-J Day all articles that have been transferred to your government by the FEA on lend-lease terms and that have not been lost, destroyed or consumed."

This request of Crowley's was brought to the attention of Wong Wen-hao as Chairman Chinese WPB <sup>65</sup> in letter of November 27, 1945 from Stanton. This inventory can be supplied by the Chinese Government only and in order to have the figures available when negotiations

<sup>62</sup> Thomas B. McCabe, Foreign Liquidation Commissioner and Special Assistant to the Secretary of State.

<sup>63</sup> *Foreign Relations*, 1945, vol. VII, p. 1130.

<sup>64</sup> Wei Tao-ming.

<sup>65</sup> War Production Board.



begin, we suggest you may want to consider an inquiry by your office of the Chinese WPB as to the progress in preparing the requested inventory. Please advise action taken. [McCabe.]

BYRNES

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893.24/1-2546 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, February 11, 1946—4 p. m.

263. For General Marshall from Colonel Davis: Timing and method of handling of negotiations for overall settlements of war accounts (reference Deptel 217, dated 4 February, and your reply Embtel 247, dated 8 February) will be influenced by your views on basic principles to govern such negotiations and settlements. In Embtel 155, dated 25 January, paragraph 1 (c), it was indicated your views on these basic principles would be forwarded. Believe transmittal your views, as soon as other more pressing commitments on your time will permit, will be of material assistance here. [Davis.]

BYRNES

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893.51/1-2946 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, February 13, 1946—3 p. m.

276. Depts attention has been directed to subject matter Urtel 179, Jan. 29, numbered paragraph 3, in joint letter <sup>66</sup> signed by Vice Presidents National City and Chase Banks. Dept has also taken note press statement O. K. Yui reported first sentence, second paragraph Urtel 192, Jan 30.<sup>67</sup>

For your confidential information treasury Dept has been informed by U. K.<sup>68</sup> Treasury representative here <sup>69</sup> that British officials Shanghai were informed by O. K. Yui that British banks can receive export bills after completing registration with Chinese Govt. U. K. Treasury representative Wash. states that if after registration British banks are not allowed to handle export bills, Chinese banks in British territory may be prohibited from engaging in exchange transactions.

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<sup>66</sup> Letter of January 30, not printed.

<sup>67</sup> Not printed; Mr. Yui was reported by Mr. Adler to have said that the rights and obligations of foreign banks in China would be on an equal basis with those of Chinese banks.

<sup>68</sup> United Kingdom.

<sup>69</sup> Robert Henry Brand.

Treasury and Dept request joint views of yourself and Adler on what action, if any, should be taken at present in addition to informal representations already made by Adler to Chinese authorities.

Reference Shanghai's No 65, Feb 5, sent to Dept as No 156, Feb 6 [5]. Dept has not been approached as yet by Chase and National City.

BYRNES

893.24/2-1346 : Telegram

*The Counselor of Embassy in China (Smyth) to the  
Secretary of State*

CHUNGKING, February 13, 1946—5 p. m.  
[Received 12:17 p. m.]

285. From Gen. Marshall for attention Col. Davis. Please endeavor to ascertain at earliest possible moment from Treasury very rough estimate of their tentative US dollars figure on total for settlement of our Army and Navy yuan indebtedness to Chinese. Tell them I realize difficulty and delicacy of committing themselves to any figure in advance of some knowledge of the Chinese demand. I would treat information as extremely tentative and absolutely secret. I need the information urgently to select some figure well within possible total to assist me in expediting offset deals for urgently needed railroad material and river shipping. [Marshall.]

SMYTH

893.24/2-846 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, February 13, 1946—8 p. m.

284. For General Marshall:

1. Dept suggests you bring to attention of Chinese Govt the desirability of early negotiation of surplus property disposals and related settlement of yuan advances and lend-lease. (Reurtel 247, Feb 8.) Please indicate belief that negotiation should be in Washington at earliest practicable date. Dept will approach Chinese Ambassador only after hearing from you. Agree with your suggestion re meetings of Central Executive Committees.

2. With respect to your 2, you will be advised of further developments.

3. No objection (your 3) to informing Chinese at appropriate time of substance of 2-a, b, c and d of Deptel 217, Feb 4 in order to em-

phasize longer run importance of International Bank as major source of development loans. It should not be implied, however, that Eximbank will discontinue operations in this area after International Bank is underway.

BYRNES

893.51/2-1446 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, February 14, 1946—11 a. m.

[Received 5:48 p. m.]

294. From Adler to the Secretary of the Treasury. After a conversation with General Marshall, T. V. Soong agreed (re your telegram 85 of January 14) to accept the offset principle with respect to Chinese requisitions of surplus property. [Adler.]

SMYTH

893.51/2-1546 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, February 15, 1946—8 p. m.

296. For General Marshall. Following message reports Chinese application and Eximbank position relative longterm credit 30-50 million for transportation and telecommunications equipment approved Urtel 2241, Dec. 29.<sup>70</sup> No request for telecommunications yet submitted.

Chinese requested Eximbank finance purchase coastwise and river ships including 10 N-3 war built cargo vessels 1900 gross tons each, 16 old ships averaging 3000 tons, 4 old tankers averaging 7700 tons. All ships are oil burners convertible to coal. N-3 ships on West Coast, older ships in Southwest Pacific. Eximbank disapproves tankers because of 5 year life expectancy and because bunker oil will be available in China. After emergency Chinese propose use tankers to import crude for two refineries already contracted. Chinese may buy tankers with own funds. For other ships Eximbank recommends 3½% credit of \$6,850,000 15 and 20 years consistent with life of ships and pending Ship Sales Bill.<sup>71</sup>

Chinese requested and Eximbank willing grant 30 year 3% credit for railway repair materials and 10 power plants. Railway materials include 90,000 tons rails, 1000 tons turnouts, 625 tons spikes, 1,500,000 ties, 50,000 tons bridge steel costing \$16,638,000. Power plants are

<sup>70</sup> *Foreign Relations*, 1945, vol. VII, p. 1198.

<sup>71</sup> H. R. 3603; for act approved March 8, 1946, see 60 Stat. 41.



steam units 5000 kw 50 cycle with distribution equipment and materials costing \$8,799,000. Since these are replacement units issue of standardization to 60 cycle not directly involved but Bank will recommend plant design permit easy conversion.

Chinese also requested petroleum products of \$1,800,000 which Bank rejected as unsuitable basis longterm loan.

Chinese requested coal mining equipment costing \$10,407,000 which was designed by Pierce Management Co. as emergency war program for replacement facilities expected to be destroyed by Japanese. Bank has confidence in Pierce who has been retained by Chinese for immediate survey coal mining requirements. For your confidential information Bank has deferred action on Chinese request because Pierce recommends awaiting company's report.

Materials tentatively approved for credit amount to \$32,300,000. Bank believes no undesirable duplication UNRRA program. Final action awaits your comments which desired if possible by Feb. 20.

In view of shortage Chinese management and technical personnel Dept and Bank recommend stressing as general principle desirability Chinese appointment competent foreign advisers. Eximbank particularly suggests able adviser in China Merchants Steam Navigation Co. and competent technical advisers in planning and installation railway repairs and power plants. Bank suggests, and Dept concurs, that you take in your discretion appropriate action to obtain employment such advisers by Chinese.

BYRNES

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893.51/2-1546 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, February 15, 1946—8 p. m.

297. For General Marshall. While Eximbank has not yet consummated credit of \$33 million to China for purchase of cotton as recommended in Urtel 2241, Dec. 29,<sup>72</sup> Bank has offered to do so upon receipt appropriate assurance from S. C. Wang<sup>73</sup> Chinese representative here.

Wang offered to sign letter on behalf Govt giving assurance that cotton purchased by Govt under credit will be allocated by China Textile Industries Inc.<sup>74</sup> in non-discriminatory manner among private and governmentally owned textile mills.

Eximbank with approval of Dept has asked for additional assurance that credit (as well as cotton) will be made available on reasonable

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<sup>72</sup> *Foreign Relations*, 1945, vol. VII, p. 1198.

<sup>73</sup> Shou-Chin Wang, Chairman of the Chinese Supply Commission in Washington.

<sup>74</sup> Established at Shanghai in January 1946 by the Ministry of Economic Affairs to amalgamate textile mills taken over from Japan.

conditions to private purchasers without discrimination or preference. It is also requested that public announcement of above policy be made in China. Eximbank would be free to make similar announcement this country.

Wang objects to second assurance on grounds that change in present Chinese plans would be required and that Eximbank request represents intervention in Chinese domestic affairs in a manner not required other countries. Member of Bank after Directors meeting Feb 13 informed Wang that there is no discrimination against China and that requested assurance is necessary due to announced intent Chinese Govt to monopolize purchases under credit and distribution of cotton.

When Wang informed member that text of requested letter had not been wired to Chungking he was asked to do so.

Dept regards case as important means of indicating to Chinese Govt and people, and to American business, that this Govt does not desire Exim credits generally to be used to foster monopolization of either materials purchased or credits by Chinese Govt in general manufacturing industry.

Your comment would be appreciated.

BYRNES

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893.24/2-1346 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, February 15, 1946—8 p. m.

298. For General Marshall from Colonel Davis: Army indicates Yuan indebtedness for calendar year 1945 will approximate Yuan \$103 billion and for first half 1946 Yuan \$10 billion. Navy estimates its Yuan indebtedness for 1946 to be approximately Yuan \$840 million and states it is unable to estimate 1946 debt (Urtel 285, February 13). Treasury converting Yuan figures into US dollars but reluctant to give out US dollar figure until approved by Secretary Vinson or Mr. Harry White <sup>75</sup>—both of whom are out of city. Expect to forward Treasury views early next week. Above figures exceedingly tentative and further subject to minor exceptions which will be noted in succeeding cable. Army 1945 figure does not take into account billeting and food supplied by Chinese as reciprocal aid to War Area Service Command [*Corps*]. [Davis.]

BYRNES

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<sup>75</sup> Harry Dexter White, Assistant Secretary of the Treasury.

Marshall Mission Files, Lot 54-D270 : Telegram

*Brigadier General Bernhard A. Johnson to Mr. Thomas B. McCabe*

SHANGHAI, 16 February 1946.

23431. Doctor Soong during these last 2 days conference has not only accepted the offset principle, but is as heartily in favor of it now as he was against it before.

In the meeting with General Marshall yesterday General Marshall asked that China FLC as far as we could, within our law, and up to a total equalled to the estimated CN debt, price our surpluses on as reasonable a basis as possible.

The principle of recovering high percentage on surpluses that are in worldwide demand and lowering our price on items on which there is little demand meets his approval. In this first deal now with items that we have in hand in addition to Calcutta stockpile, the deal amounts to about 40 million dollars. But we have orders and went over plans with the Chinese Government that it seems, in my opinion, if we can deliver we will in a short time sell surplus property to an amount equal to the estimated CN debt.

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Colonel James C. Davis*

CHUNGKING, 16 February 1946.

200. According to T. V. Soong, agreement has already been signed but imposition of additional conditions in connection with fulfillment of agreement constitutes unilateral action which he cannot accept. Your telegram<sup>76</sup> reports delay on signing of contract. Some confusion here as loan has been publicly announced. I am seeing T. V. Soong on this matter Monday and would appreciate being notified urgently whether master agreement has been signed and if so whether contract you refer to is a supplementary contract being negotiated with respect to implementation of master agreement.

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel James C. Davis to General Marshall*

WASHINGTON, 17 February 1946.

97562. No agreement of any kind has been signed by Eximbank and Chinese covering cotton loan. Reference your 200 dated 16 February. Only action here has been approval of extension of credit for purpose

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<sup>76</sup> No. 236, February 6, 6 p. m., p. 934.



of purchasing cotton. In approving extension of the credit the Board of Directors of Eximbank provided that before the credit should be available to Chinese the Chinese would have to agree to certain undertakings with regard to the manner in which the funds would be used. Situation in this respect is as stated in State Deptel 236 of 6 February and State Deptel 297 dated 15 February. Eximbank position does not constitute unilateral action with respect to a mutually agreed covenant but rather states the terms upon which the bank is willing to enter into an agreement to extend the desired credit. As stated in State Deptel 297 dated 15 February Eximbank desires your comment on its position.

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893.24/2-1846 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, February 18, 1946—10 a. m.

[Received 12:54 p. m.]

320. From General Marshall for Colonel Davis: It is still too early to make definitive recommendations on timing, method of handling, and basic principles with respect to over-all settlement. (Reurtel 263 of February 11.) China's needs for rehabilitating railroad, inland waterway and some coastal transportation so desperately urgent that I feel this should be made first call on FLC sales to China and on par with food for preventing famine as far as UNRRA is concerned; in fact, without more transport facilities famine cannot be averted. This work of rehabilitation of transport must go forward rapidly, as without it political stability jeopardized. Therefore, I have strong feeling that these requirements should be met from FLC sales both to UNRRA and to Chinese Govt as far as possible, and that FLC should sell on as generous terms as possible until sales begin to approach amount at which we propose to settle our yuan indebtedness. There may be some objection to exhausting amount we owe China by FLC sales, but transportation must be given top priority and we cannot afford to be niggardly in this matter. Failure in rehabilitation of transportation could prejudice my whole mission. We also do not want to find ourselves in a position where effect of loan to China will be reduced by substantial cut in her foreign exchange assets through her purchases from FLC.

2. If my tentative impression that the whole of our debt to China might be offset by her FLC purchases is correct, then it would appear that we might as well forget about even bookkeeping reimbursement of items 5 and 6 of Urtel 101, January 17. As for items 3 and 4, they could be on 3-c or British settlement terms. Item 7 has now been

disposed of with sale of Calcutta stockpile on offset principle at  $66\frac{2}{3}\%$  of cost plus 25% for cost of transportation to Calcutta, \$15.00 a ton for transportation from Calcutta to China, with loading and unloading to be done by China; these terms appear pretty fair and reasonable. Item 9 of Urtel 101 is being dealt with as an exception in which China will repay us with services to be rendered over a 30-year period with the equipment she acquires.

3. I am aware of possible political repercussions of kissing item 6 of Urtel 101 goodbye without even token compensation, and would welcome any suggestions you have to make after discussions with State and Treasury in which paragraph 2 of my 155 of January 25 should be emphasized. There is one possible line of approach which might be worth considering. If our settlement of yuan indebtedness is sufficiently generous, it might exceed [*exceed?*] the total of China's purchases from FLC. This excess could be used as an off-set to item 6, which could be dealt with in one of two ways. Either it could be off-set against part of item 6, or if it were more expedient, we could ask China to pay a percentage—say 20 to 25 percent—of item 6 as her total contribution for item 6 and have the excess allotted to this purpose.

But a settling of our yuan indebtedness on terms generous enough to cover FLC purchases and to leave a margin to dispose of item 6 in either of above ways might create other problems. Which is why I desire Washington's reactions before making any definite recommendations. [Marshall.]

SMYTH

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893.51/2-1846 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, February 18, 1946—4 p. m.

[Received February 18—12:02 a. m.]

321. From General Marshall. Endorse Eximbank credits of \$32,300,000 for ships, railroad equipment, and power plants for items Eximbank approves. (Reurtel No. 296 of February 15.) It would be desirable to avoid such confusion as seems to have occurred with Eximbank cotton loan on which all facts not yet available here. Chinese claiming we are trying to impose conditions which in fact seem eminently reasonable on cotton loan after signing of agreement. Is this last a fact? In any case Eximbank will, I am sure, make conditions explicit before signing of long-term credit for transportation and telecommunication equipment.

I wish to emphasize China's desperate need for railroad equipment and need to expedite placing and actual delivery of railroad orders.

Bank should check with FLC as well as UNRRA to ensure not undesirable duplication in shipping, etc. Colonel Davis in touch with our efforts to coordinate Chinese supply program.

Bank's deferring action on coal mining equipment until Pierce reports noted and approved but delays should be curtailed. Please notify bank I shall take appropriate action on advisers. [Marshall.]

SMYTH

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893.51/2-2046 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, February 20, 1946—8 p. m.

327. For General Marshall.

A. National Advisory Council currently recommending to President that Congress be asked for additional Eximbank appropriation of \$1,500 million. Recommendation is that President's message should not include statement re tentative allocation of additional credit, although such statement may later be necessary in Congressional hearings. (Reurtel 247, Feb 8.)

B. Chinese representatives Feb 11 gave Assistant Secretary Clayton memorandum<sup>77</sup> urging prompt action in granting genl overall Eximbank credit. Memorandum will not be replied to by Dept unless you regard reply as advantageous.

Memorandum included following remarks:

1. Crowley informed Soong that credit of \$560 million was approved by Eximbank to meet China's first year needs. China has received no formal notice of such credits.

*Comment:* As you know, Eximbank approved no such loan and Chinese have been so informed by various responsible officials. Crowley apparently exceeded his authority.

2. Reference is made to recent negotiation of large British credit, and to French credit of \$550 million said to have been approved by Eximbank on same day it allegedly approved \$560 million for China. It is stated that effort has been made to distinguish French Eximbank credit on ground that it was for goods approved under Lend-Lease Program, but that in fact "China had several hundred millions of such lend-lease goods similarly approved, so that Chinese and French situations are indistinguishable". Charge made that despite US interest in development China as "Great Power" it has neglected Chinese situation while aiding France and Britain. Contemplated Exim

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<sup>77</sup> Not printed.



credit \$47 million (now \$32 million) for emergency expenditures is not substitute for major credit.

*Comment:* References to France and Britain are misleading. One—British credit recommended to Congress involves special considerations, including British acceptance of comprehensive agreement re commercial and foreign exchange policy. (See my speech re British loan <sup>78</sup> radio bulletin Feb. 11.) Two—negotiations of French Eximbank credit of \$550 million completed Dec 4 while initial request was in Aug. Terms are same as 3c (30 years at 2 $\frac{3}{8}$  percent) and apply to goods requisitioned but not contracted for under lend-lease prior to VJ Day. As to China having “several hundred million such goods approved”, whole non-military Chinese Program 1945 approximated \$100 million. Amount requisitioned but not contracted for probably equaled about \$50 million. Three—cost of goods requisitioned and contracted for France before VJ Day is approximately \$340 million. These have been or will be delivered under lend-lease 3c terms analogous to US commitment to China of \$62 million of lend-lease pipeline. As you know, US recognizes latter obligation but prefers to conclude in conjunction with genl settlement negotiation. Four—while additional lend-lease to France and Britain was generally discontinued after VJ Day, such assistance has continued for China. In September and October lend-lease was approximately \$440 million, largely for transport services for which payment can scarcely be required. Estimate for Nov and Dec is about \$190 million. Five—both Britain and France provided substantial amounts reverse lend-lease which was waived by President in China’s case, except that China gave certain relatively small amounts “reverse lend-lease” including food and lodging US forces. Six—neither France nor Britain nor any ally received substantial credit analogous to \$500 million credit to China in Mar 1942.

3. China needs to know initial overall credit figure to enable it to plan, train personnel, etc.

*Comment:* Covered by President’s public statement of China policy Dec. 16 [15].<sup>79</sup>

4. China not asking blank check, but proposes to work with Eximbank as closely or more so than France or any country and to encourage private enterprise.

5. Reference to view in some US quarters that China should use all present dollar balances before getting overall credit. This differs from US attitude towards Britain and France.

*Comment:* This is not the stated position of US Govt.

<sup>78</sup> Department of State *Bulletin*, February 24, 1946, p. 267.

<sup>79</sup> Department of State, *United States Relations With China* (Washington, Government Printing Office, 1949), p. 607.

6. China realizes US has given Genl Marshall wide authority and that he has not yet reached any conclusion *re* overall credit; however, Washington authorities must necessarily make final decision and it is hoped Dept will take lead and after consulting with Genl Marshall advise Chinese representatives of US policy toward immediate overall credit.

*Comment:* As should be clear to Chinese from President's statement of policy, this is what Dept proposes to do, but only after your recommendation.

C. On February 19, S. C. Wang, Chairman, Chinese Supply Commission, called on Dept officer and repeated substance memorandum outlined in B above. Was told that President relies fully on Genl Marshall and that discussions here regarding any overall credit will take place only as recommended by him. Wang stated he would advise Soong of desirability giving you copy of statement previously given Eximbank regarding proposed use of \$560 million credit. Informed Wang that you would be advised of conversation and his suggestion to Soong.

BYRNES

893.24/2-1346 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, February 20, 1946—8 p. m.

328. For General Marshall from Colonel Davis: The following from Treasury (Urtel 285, February 13, and Ourtel 298, February 15) :

"1. War and Navy Departments estimate total yuan obligations for 1945 CN \$104 billion. This figure does not include Chinese expenditures on behalf of Army for board and lodging.

2. Treasury believes that range of US \$125 to 150 million for CN \$104 billion would serve as adequate guide for General Marshall's negotiations."

Treasury is sending telegram <sup>80</sup> to Adler on same subject. [Davis.]

BYRNES

893.51/2-1846 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, February 21, 1946—7 p. m.

335. For General Marshall. Eximbank Feb 20 approved in principle revised credit of approximately \$32,300,000 for ships, railroad

<sup>80</sup> Department's telegram No. 373, February 28, 7 p. m., not printed.

equipment and power plants (Urtel 321, Feb 18). Specific loan contracts yet to be drawn. No announcement until contracts are signed. As reported by Col. Davis' telegram sent you Feb 17<sup>81</sup> via War Dept Chinese incorrect in asserting Bank asked additional conditions on cotton loan after signature contract. Contract not yet signed pending result of negotiations. Stipulations adopted by Bank at time of approval contract. Bank believes no undesirable duplication with UNRRA and FLC in shipping, etc. Reurtel 320, Feb 18 Dept and Bank agree transportation needs urgent.

BYRNES

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893.51/2-2246 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, February 22, 1946—10 a. m.

[Received 11:15 a. m.]

348. From General Marshall to Colonel Davis. Clear that T. V. Soong was misinformed by his representative in Washington as to conclusion of agreement.

Soong, while indicating he is strongly in favor of private enterprise, defends Government taking over of enemy mills on grounds that (a) they cannot be economically disposed of in present disturbed conditions, (b) when there is so much speculation in cotton, it is better to use production of Government-owned mills to help meet budgetary deficit, and (c) Government is going to dispose of these mills within a maximum period of 3 years, Government liquidation to start much earlier if conditions permit.

Finally, he says he is already being unjustly criticized for creating Government monopolies, and public announcement in the United States and China on lines required by Eximbank (see Urtel 297, of Feb 15) would add fuel to such criticism. I suspect this point disturbs him most. In order to avoid such criticism, he is willing to accept a compromise by which in an exchange of letters (to be telegraphed with the written documents following) between Eximbank and China, China would indicate that "with reference to the cotton credit, it is the Chinese Government's policy to make the cotton available to private mills of sound standing and engaged in legitimate business on the same terms as it will by Government-owned or operated mills". He also expressed feeling that US is being too "paternalistic" about China.

Soong in addition added that 70,000 bales of cotton exported by Anderson, Clayton either en route to China or already in godowns in Shanghai be purchased by China with part of Eximbank's credit.

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<sup>81</sup> No. 97562, p. 942.



Please inform Eximbank I endorse its position that its credit should not be used to foster monopolization by Chinese Government in general manufacturing industry. At same time without sufficient background to pass judgment on Soong's request re 70,000 bales, the compromise proposal would be a convenient way out of the present impasse. Please sound out Eximbank of its response on this compromise proposal. [Marshall.]

SMYTH

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893.51/2-2546 : Telegram

*The Counselor of Embassy in China (Smyth) to the  
Secretary of State*

CHUNGKING, February 25, 1946—9 a. m.

[Received February 25—6:26 a. m.]

359. From General Marshall. In a letter of February 20 to T. V. Soong, I brought his attention to desirability of prompt initiation in Washington of negotiations for settlement in accordance with your telegram 284 of February 13. In his reply of February 22, Soong expressed complete agreement, adding "as a first step, I suggest that each side appoint two or three representatives here to draw up an agreed statement of the amount of the yuan indebtedness."

I understand that in previous negotiations on yuan settlements determination of amount of yuan indebtedness was not always a simple matter. Moreover, there appears to be some difference between Army and Ministry of Finance estimates of yuan indebtedness for 1945, which difference could in any case only be resolved by reference back to China Theater. For these reasons Soong's suggestion has merits, but I wish to obtain your concurrence before assenting.

If you do concur, I would suggest nominating Col. Webber, Fiscal Officer of China Theater, Col. Pforzheimer of Army Budget Office, Washington, and Adler. Colonels Webber and Pforzheimer are now in Washington and if you endorse my concurring with Soong's suggestion, they should be sent to Chungking immediately and instructed to bring all relevant documents. [Marshall.]

SMYTH

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893.51/2-2546 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, February 25, 1946—10 a. m.

[Received February 25—8:50 a. m.]

360. From General Marshall. Question of terms of Eximbank loan for transportation equipment raised by Soong in conversation with

me February 24. Soong said China was being asked to pay 3 and 3½% interest with maturity rate of 15 and 30 years, while France was obtaining 3-C terms. Is it correct that 3-C terms are only granted for goods originally requisitioned under Lend-Lease? I would like very much to see China given as favorable terms as possible, but I do not wish to put Eximbank in a position where granting of 3-C terms to China for this particular loan would constitute an unfortunate precedent. [Marshall.]

SMYTH

893.51/2-2546 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, February 25, 1946—11 a. m.

[Received 11:31 a. m.]

361. From General Marshall. Concur with Dept that no reply to Chinese memo (Reurtel 327 of Feb 20) is necessary.

I think the position and actions of the Chinese Govt now justify the US Govt (in the light of the President's statement of policy of Dec 15<sup>82</sup> re China) in commencing negotiations for a major loan by the Eximbank, and I recommend accordingly. [Marshall.]

SMYTH

102.81/2-2746 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, February 27, 1946 [5 p. m.].

[Received February 27—7:50 p. m.]

377. For Commerce. National Government announced February 25, 1946 "Temporary regulations with regard to foreign exchange transactions." Except where noted, regulations summarized herewith are effective after March 4, 1946:

Authority for centralized control of foreign exchange transactions is Central Bank of China which is directed to exercise among others following major special functions: (1) appoint banks (termed "appointed banks") that may engage in foreign exchange transactions; (2) license for a specified period banks, including old style bank and exchange shops to deal in foreign currency notes; to license travel agencies to issue and cash foreign currency, traveler's letters of credit and traveler's checks; and to license persons to act as foreign exchange brokers; (3) to intervene in financial markets when the bank deems it necessary to check fluctuations of rates.

<sup>82</sup> *United States Relations With China*, p. 607.

Only appointed banks, licensed dealers, and brokers may buy and sell foreign exchange. Central Bank will issue or refuse licenses to all licensed dealers or brokers in foreign exchange and will announce date or dates after which dealing in foreign currency notes and issuing and cashing foreign currency, traveler's letters of credit and traveler's checks, except by appointed banks, shall be prohibited without license. Applications for licenses may be made after February 25, 1946.

In connection with actual foreign exchange transactions regulations provide that official rates of foreign exchange and foreign exchange supplements are abolished as of February 25, 1946. After March 4, appointed banks may sell foreign exchange to the public only (1) to pay the cost of importing goods whose importation is permitted, (2) for legitimate personal requirements in accordance with the regulations, and (3) for other legitimate purposes authorized by the Central Bank of China. Appointed banks may buy foreign exchange arising from the following transactions: (1) exports or re-exports from China, (2) remittances from abroad to China, (3) foreign exchange sold for expenditures in China, (4) other foreign exchange.

Additional regulation effective February 25, 1946 provides that no bank may open new foreign currency accounts, except that "when a person deposits with an appointed bank margin in foreign currency against foreign exchange to be delivered to him or paid for his account in future, the bank shall deposit an equal amount with the Central Bank of China, which will refund the amount to the bank, at the time the foreign exchange is transferred, to or for the account of such person by the bank." Until further notice by the Central Bank of China no bank may make any fresh loan or increase or renew for a total of more than 3 months from the date when the regulations enter into force (March 4, 1946) any existing loans in Chinese national currency on the security of foreign exchange. Appointed banks may not engage in foreign exchange transactions in connection with export of capital from China or speculative or arbitrage purposes, whether for their own account or for public.

Regulations provide, in addition, that any person in China whose foreign exchange or other property or property interest abroad is blocked may apply to Central Bank of China for permission for use thereof for purposes permitted under regulations. Public may buy and sell gold freely; Central Bank of China may buy and sell gold at its discretion.

From February 25, 1946, import and export of foreign currency notes is prohibited without license from Ministry of Finance, provided, however, that a person may bring to, and take from China for his personal use amount not exceeding US \$200 or equivalent.



Also announced as of February 26, 1946, were "temporary regulations governing import and export trade," summary of which to follow by cable.<sup>83</sup> Complete text both sets temporary regulations are being forwarded airmail.<sup>84</sup>

Announced February 26, 1946, was appointment as Governor, Central Bank of China of Pei Tsu Yee (with Bank of China since 1916 and General Manager since 1942). Pei succeeds O. K. Yui, Finance Minister, who resigned post of Central Bank Governor.

SMYTH

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893.515/2-2846 : Telegram

*The Consul General at Shanghai (Josselyn) to the Secretary of State*

SHANGHAI, February 28, 1946.

[Received February 28—6:40 p. m.]

328. From Commercial Attaché. Announced new temporary exchange and trade control regulations as already reported from Chungking followed more than a month of skyrocketing prices for gold bars US dollars and commodities (sent to Department; repeated to Chungking as No. 141) which situation together with strikes in numerous industries and services including Chinese Government radio administration and political uncertainties reflected in widespread student demonstrations, brought about well-nigh chaotic conditions in the local economy and in the trade outlook.

The impressive amount of the stabilization fund, the fact that a vast portion of China's essential needs are being supplied through UNRRA, that the new foreign trade regulation eliminates certain import luxuries and establishes licensing on others and that certain important imports will apparently be financed by foreign loans, makes it clear that the authorities are enabled to introduce and maintain controls which may be highly effective despite the currency inflation and the virtually almost frozen export situation.

The two principal American banks and two leading British banks registered February 27 through the Shanghai office of Ministry of Finance. They anticipate becoming appointed banks under provisions of the new regulation and that import and export exchange will be channeled through them and other appointed banks.

The board functions of the import planning or programing committee create apprehensions among importers of the likelihood that rather tight import trade controls will be applied pending a more

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<sup>83</sup> See telegram No. 413, March 2, p. 955.

<sup>84</sup> The texts of both sets of regulations were transmitted to the Department in Embassy voluntary report No. 86, April 1, not printed.

normal balancing of China's foreign trade and payments can [*and?*] also that affected temporary commodity lists so far published may represent only partially the range of items ultimately to be affected as influenced by experience and success in applying the exchange and trade measures.

JOSSELYN

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893.51/2-2246 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, February 28, 1946—8 p. m.

371. Dept communicated Eximbank your comments re cotton credit (Urtel 348, Feb 22) and has received following statement with which it agrees:

"1. Compromise suggested by T. V. Soong unsatisfactory because of Bank's desire to make credit as well as cotton available to 'private mills of sound standing and engaged in legitimate business.' Bank finds difficulty in understanding Soong's concern regarding possible criticism re government monopolies if its recommendations are followed. Statement by Government of China that sound private industry could participate in credit appears likely to silence rather than arouse such criticism. Paternalism is not involved in Bank's recommendations which were result of announced intention by Chinese officials to monopolize purchases under credit contrary to Bank policy in other cotton loans.

"2. Bank is opposed to use of credit for cotton already in China or en route there because of advantage to large United States cotton shippers in contrast to small operators who cannot afford to finance such shipments. Similar decisions were made by Bank in other cotton credits where identical question was raised.

"3. Question of government control of enemy mills has never been factor in Bank's consideration of cotton credit or its negotiation with Chinese. Bank is not concerned with government operation of these mills and is agreeable to provision of appropriate amounts of raw cotton for them by Supply Commission under credit.

"4. Bank understands difficulties of negotiations, but believes that its recommendations should prevail not only because of issue involved in this credit but also because the question of making funds available in support of sound private as well as Government projects may be raised in extension of a major credit for China."

As to Soong's concern with character of public announcement China and US, Dept and Bank agree there is no objection to language that avoids implication Chinese policy of allocating credit and cotton is due to Bank's insistence. Interest here is only in accurate announcement of policy to be followed.

BYRNES

893.51/3-146 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, March 1, 1946—8 a. m.

[Received March 1—4:20 a. m.]

396. Situation changed by new exchange regulations promulgated February 25 and going into effect on March 4. (ReEmbtel [*Deptel*] 276 of February 13.) Provisions for functioning of appointed banks intended to cover foreign banks. Adler will visit Shanghai next week and report<sup>85</sup> on how regulations are working out with respect to American banks and whether any further action necessary.

SMYTH

893.51/2-2546 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, March 2, 1946—1 p. m.

389. For General Marshall.

1. Eximbank credit for war-built N-3 ships on terms stipulated Ship Sales Bill which now awaits President's signature:<sup>86</sup> 25% cash, balance not more than 20 annual installments 3½% interest unpaid balance (Urtel 360 Feb 25, Deptel 296, Feb 15).

2. Ship Bill not applicable to older ships but its passage makes desirable application [of] similar terms to credit for older ships. However, credit term 15 years consistent with expected life, amortization deferred 5 years. Moreover credit covers full purchase price.

3. Terms offered on railway and power plant equipment are 3% 30 years amortization after 5 years as authorized [by] National Advisory Council resolution "The Eximbank's general rate of interest on 20 to 30 year loans to foreign govts for reconstruction and development should be 3%".

4. 3 (c) terms granted only for goods requisitioned under Lend-Lease and requisitions accepted here but not contracted for prior to V-J Day. Terms of Eximbank French credit applied only to such goods and are in accord with NAC resolution Sept 27, 1945 as follows "In financing the export of goods for which requisitions had been filed by foreign govts under Lend-Lease and accepted by this govt prior to V-J Day, the Bank's interest rate should be 2¾% for 30 year loans, i. e. the same as in Lend-Lease 3 (c) agreements." China's requisitions, approved (that is, accepted here) but not contracted for by US, only about \$10 million (Deptel 327, Feb 20 estimated \$50

<sup>85</sup> Apparently no report was sent.<sup>86</sup> Approved March 8, 1946; 60 Stat. 41.



million). Only railway or power plant equipment included in this sum were smaller power plant equipment aggregating \$1,397,000 suitable air transport. Since China did not request Eximbank credit 3 (c) terms for any of this \$10 million until 11 Feb (Deptel 327) Dept and Eximbank are reluctant to recognize responsibility at this date to adjust terms to those earlier given other countries, unless you feel Chinese situation requires otherwise. In any case application French terms would have saved China only difference between 3% and 2 $\frac{3}{8}$ % on \$10 million. Your further comments are requested.

BYRNES

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102.81/3-246 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, March 2, 1946.

[Received March 2—3 : 12 p. m.]

413. For Commerce. On February 25, Supreme National Defense Council approved temporary regulations governing import and export trade to be effective upon promulgation February 26; (ReEmbtel 377, February 27, 5 p. m.). Substance of these regulations is outlined below but it is not possible to provide now the detailed lists of restricted or prohibited imports, or of prohibited exports, to which the regulations refer. It is understood that such lists are still under preparation by Chinese Government.

Imports are divided into following three categories: (1) free imports; (2) licensed imports; (3) prohibited imports. Free imports are described in the regulations as all commodities not listed in "appended lists A, O and C" or in "appended list of commodities prohibited for importation". Licensed imports are commodities listed in "appended List A". Imports of such commodities shall be licensed by the maritime customs, and provision is made for establishment therein of a license department to issue required import licenses in close coordination with Central Bank of China. Unconfirmed press reports indicate that kerosene, sugar, leaf tobacco and motion picture film (presumably undeveloped) are among products for which licenses will be required. According to same source, passenger motor cars reportedly will be subject either to licenses or will be prohibited for import dependent on their value.

Certain commodities are to be prohibited for import, unless the special approval and permission of competent authorities is obtained. The list of such products is not yet published, but unconfirmed newspaper reports indicate that it will include various textile manufactures, including laces, embroidered goods and other decorative textiles

made of cotton, flax, hemp, ramie, jute, goat's wool and silk; woollen carpets and carpeting; knitted and piece goods of silk and silk cloth; cosmetic accessories and cosmetics; toys and games, etc.

With respect to commodities prohibited for importation, it is provided that if such commodities have been ordered before date of publication of these regulations and can be transported into China within 30 days, these may be declared as exceptions at the maritime customs within 10 days after publication of regulations. The fact that list of prohibited imports was not published on date of promulgation of regulations requires clarification of intended date of application of this provision.

All commodities, except those included in the "appended list C" are allowed to be exported freely, but exporters are requested to show maritime customs a certificate of purchase of foreign exchange issued by an appointed bank prior to customs declaration of their shipments. List C referred to above has not yet been published and the extent of control or production to be enforced with respect to commodities included on it has not yet been announced.

The regulations as promulgated on February 26 also provide for establishment under the Supreme Economic Council of a temporary import planning committee which is to have as its chairman the Chairman of the Supreme Economic Council, and is also to include Ministers of Economic Affairs, Finance, Communications, War and Food, and Director General of CNRRA.<sup>87</sup> Powers of temporary Import Planning Committee are listed as follows:

- (1) to determine the import commodities necessary to be imported during rehabilitation period;
- (2) to compile and list quantities, prices and dates of arrival of commodities ordered or to be ordered or purchased;
- (3) to draw up plans for importation of commodities, taking into account (a) national, financial and economic situation, (b) urgency of need for imports and extent of utilization and (c) the balance of barter and credit concluded with foreign countries;
- (4) to prevent various organizations from contending for purchases in foreign countries;
- (5) to decide on sources of supply for fully utilizing enemy reparations, UNRRA supplies and/or surplus war materials;
- (6) to direct the distribution and marketing of commodities imported or to be imported;
- (7) to examine the import needs of various organizations in order to avoid duplication and extravagant expenditure.

More complete details concerning these regulations and lists referred to will be forwarded as promptly as available.

SMYTH

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<sup>87</sup> Chinese National Relief and Rehabilitation Administration.

893.51/2-2546 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, March 5, 1946—7 p. m.

403. For General Marshall. Colonel Webber will be made available (Your 359, Feb 25) and is now studying background of previous negotiations. He will leave at earliest possible date, perhaps within a week. Colonel Pforzheimer will not be available in the immediate future as he is now in ETO<sup>88</sup> and will probably be recalled to Washington soon for important negotiations here. However, if after matter has been fully discussed with Colonel Webber it is still considered that BOWD<sup>89</sup> representative is necessary, Colonel Pforzheimer's availability can be re-examined.

It is recommended that scope of talks with Chinese as suggested by T. V. Soong not be defined until after discussion with Colonel Webber. However it is understood that these preliminary talks will not include any discussion of the dollar valuation of yuan obligations. State, Treasury and War agree that Adler should participate in talks.

BYRNES

893.51/2-2546 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, March 5, 1946—8 p. m.

407. Personal for General Marshall. In the light of your recent advice to the President of your proposal to return to Washington for a short visit this month,<sup>90</sup> it seems to me that we should not commence negotiations for a major loan to China by the Eximbank until after your return to the United States. (Reference your Embtel 361, dated 25 February 1946.) Your presence in Washington will provide opportunity for a more satisfactory discussion of the position and actions of the Chinese Government in the fields referred to in Deptel 2057, dated 24 December 1945,<sup>91</sup> and Deptel 85, dated 14 January, and Deptel 103, dated 17 January, than would be possible through cable correspondence. It would also be possible, while you are here, to discuss the desirable relationship between negotiations for a major loan and negotiations for an over-all settlement of such matters as lend-lease advances, surplus property disposal, and yuan advances.

In accordance with your recommendation in Embtel 155, dated 25 January 1946, it has been planned that negotiations in connection with

<sup>88</sup> European Theater of Operations.<sup>89</sup> Budget Office, War Department.<sup>90</sup> See telegram No. 251, February 26, vol. ix, p. 444.<sup>91</sup> *Foreign Relations*, 1945, vol. vii, p. 1194.



the over-all settlement and the extension of a major credit to China would be conducted in Washington. However, in view of the way in which your mission has progressed, it seems inevitable that consideration will have to be given to a good many aspects of these questions, at least in the initial stages of negotiations, by you after your return to Chungking.

It has occurred to me that it would be helpful if upon your return to China you could take with you a small staff of three or four persons familiar with the Washington situation in such fields as surplus property disposal, lend-lease procedures and precedence, and Eximbank policies. This staff would probably be required only for a month or two, during the time when the basic principles to govern the negotiations would be determined. It is during that first period that I have thought this additional assistance might be most helpful to you. If you concur and will advise me, I will arrange to have such a staff selected and made available to return to China with you.

I think you should know that the Secretary of the Treasury, most of the other members of the NAC and the principal members of their staffs will be in Savannah, Georgia beginning March 8 for the first meetings of the International Monetary Fund and Bank. These persons, on their return to Washington about March 20, will be available for loan and settlement discussions with you.

BYRNES

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893.24/3-646 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, March 6, 1946—6 p. m.

412. For General Marshall. Reurtel 320 of February 18, your recommendation and information in paragraph 1 concerning China's need for transport, has been reported to the Foreign Liquidation Commissioner who states that his Central Field Commissioner for the Pacific area, Mr. John K. Howard, believed to be presently in his Shanghai office, has also commented on urgency and magnitude of China's need and will do everything possible to conform his operations to aims of your mission. Howard's permanent headquarters are Manila. No objection here to exhausting amount of Yuan debt by sales of surplus property needed by China.

2. Regarding your paragraph 2, we agree items 3 and 4 of Ourtel 101<sup>92</sup> should be settled on 3 (c) terms if item 4 not necessary for Yuan offset. Concur in settlement of item 7 of Ourtel 101. Re ship-

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<sup>92</sup> January 17, 6 p. m., p. 912.

yard transaction Item 9 of Ourtel 101, feeling here is that since offset principle now accepted by China, this transaction could be handled more simply by offsetting it also against Yuan debt. This recommendation made recently to Howard by Foreign Liquidation Commissioner. Acceptance of payment for surplus in form of services rather than cash is presently involved in extensive legal technicalities which will take considerable time to straighten out. However, will continue efforts along this line if you so recommend.

3. Regarding items 5 and 6 of Ourtel 101, referred to in your paragraphs 2 and 3, Congress already informed of continuing military lend-lease aid to China, and of policy in British lend-lease settlement not to charge for military supplies (except commercial-type aircraft and petroleum) remaining with United Kingdom because U. S. reserves right to recapture such supplies. Consequently, political repercussions regarded as minimum if we do not require financial settlement for items 5 and 6 of Ourtel 101 (except for commercial-type aircraft and petroleum) and reserve recapture rights. This is on assumption that item 6 not needed for Yuan offset. China may be asked by Treasury to seek no repayment for 1946 Yuan advances in view of proposed writing off of items 5 and 6.

4. Treasury participated in drafting of above and concurs therein.

BYRNES

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102.81/3-746 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, March 7, 1946.

[Received March 8—5:15 p. m.]

446. Please inform Commerce and Treasury. Minister of Finance, O. K. Yui, reported to Central Executive Committee, Kuomintang, March 4, outlining in detail Govt policy regarding financial, monetary and economic affairs. Part I outlined general objectives of Govt in field financial policy, stressing need for stabilization [of] currency and balancing national budget during present "transitional period" and need for coordinated financial and economic policy. Yui stated that to raise living standards, equalize distribution of wealth, foster certain types of economic development, and develop local finance, Government is taking measures to reform tax and rent systems, define and divide scope of central and local finance, stabilize currency—utilizing gold and foreign exchange, and balance budget. Under part II, Improvement of Taxation, Yui indicated taxes will vary with nature of industry—e. g., may be lower for basic industries; progressive principle will be more widely applied; private and Government enterprises to

be taxed on equal basis; and tax structure will be simplified. Wartime excess profits to [*sic*] tax already abolished; tax on income from sale of property to be abolished; income tax on business and tax on appreciation value of land to be increased (to offset loss of revenue from reductions and abolishment other taxes); business tax to be reduced 50 percent (as already approved by National Govt); land tax and inheritance tax to be increased on progressive principle; stamp tax to be reduced to  $\frac{1}{4}$  original levels, and begin on higher base; consolidated commodity-taxes already simplified and promulgated (see Embassy's despatch 1096, February 7, 1946<sup>93</sup>). In discussing import and export tariffs, Yui stated import duties to be adjusted with development domestic infant and heavy industry in view, some necessities to be dutiable, but not at high rates; export duties not to be levied on most goods, some will be reduced, others increased to conserve for self-supply.

Part III—Control of Imports and Exports—includes summary of temporary regulations outlined in Embtel 413 of March 2, 1946, and stressed need for such measures to concentrate foreign exchange under government control to aid in stabilization of currency and limit outflow of exchange.

Under part IV—Financial and Monetary Control—and part V—Stabilization of the Value of the Currency—were discussed: The new "temporary regulations with regard to foreign exchange transactions" (as outlined in Embtel 377, February 27, 1946) including the abolition of official rate of exchange and the concentration of exclusive control in Central Bank of China. Additional ruling to be enforced under the regulations is requirement all foreign currency deposited in banks in China must be sold to Government at current rate by end September if not previously used by owners for purchases specified in new regulations governing foreign exchange and import and export trade. In addition, calling in puppet notes in South, Central, and North China and issuance temporary scrip in Northeast and new notes in Taiwan were mentioned by Yui as facilitating currency stabilization. Government control [of] banks to be relaxed, but must assure, said Yui, that bank capital used for production. Revised Bank Law has been approved by Executive Yuan and sent to Legislative Yuan; wartime bank regulations are to be abolished. When new laws and regulations promulgated, Embassy will forward details.

Part VI of address stressed importance development sources revenue for local governments to promote self-government, suggested that revenues from salt, direct taxes, commodity taxes, customs duties go to National Govt, all other revenues revert to local. Part VII covered

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<sup>93</sup> Not printed.



budgetary situation. Current fiscal year budget, largest China has ever had (approximately CN dollars 2,500 billion), includes item for military expenditures equivalent to 43.52% of total and for relief and rehabilitation 19.21%. Present estimates indicate deficit of 25%. Yui said Govt plans temporarily to offset this amount with gold reserves and by accumulated foreign exchange resulting from implementation new regulations governing foreign exchange and trade. Long-range intention is to offset deficits with reparations from Japan and puppet assets taken over.

Complete text of this detailed address is now in process translation; if Embassy considers additional information therein justifies, text will be forwarded airmail.

Part II above includes more detailed statement than has heretofore been available outlining Govt's future policy in field taxation. As new fiscal laws are promulgated along lines mentioned therein, summaries will be cabled.

SMYTH

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611.9331/3-846 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, March 8, 1946.

433. Dept appreciates Embassy's and Shanghai Consulate's prompt reporting on exchange and import export regulations (Urtels 377, Feb. 27 and 413, Mar 2, also Shanghai's 328, Feb 28) and awaits with interest transmission detailed lists reported under preparation by Chinese Govt.

Dept notes that date of application of 30 day notice provision awaits clarification (Urtel 413, 4th paragraph). Dept feels Embassy justified in representing to appropriate Chinese authorities that 30-day exemption period should date from day on which lists published and not from date on which temporary regulations were promulgated, that is Feb 26, 1946. This would be in line with generally accepted practices and consistent with Art. 17, paragraph 2 of draft commercial treaty.<sup>94</sup>

Dept likewise feels that in interests of providing prompt, complete and effective service to US firms doing business with China, Embassy and Consulate Shanghai should reach agreement as to responsibility for close followup and reporting, bearing in mind that whereas general regulations may emanate from Govt agencies in national capital, administrative rulings will evolve principally out of day to day trading experience in major posts such as Shanghai.

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<sup>94</sup> *Foreign Relations*, 1945, vol. VII, pp. 1259 ff.

In connection with publication of detailed lists of restricted or prohibited imports Dept feels Embassy and Consulates should be on alert to detect discriminations against American trade as a whole or categories thereof. As an example it has been reported to Dept that "publication detailed control regulations shows impossible import motor cars with wholesale FOB factory cost over \$1200." If carried through this would undoubtedly be considered unduly restrictive by US automotive interests and Dept would no doubt be requested to make representations on their behalf. Dept is also interested in whether program may be used to minimize private trading possibilities in favor of Government trading.

Dept is anxious, looking toward the objectives of the forthcoming International Trade Conference of which China is to be a participant, that all Govts resist to the utmost during the period prior to the Conference the imposition of trade restrictive or discriminative measures. While some interim trade controls may be justified in China pursuant to financial or rehabilitation objectives Dept hopes every effort will be made to keep them nondiscriminatory and, in broad sense, selective rather than restrictive. Unless you perceive objection, you should inform the appropriate Chinese officials of Dept's views in the foregoing sense and, in addition, express Dept's hope that Chinese Govt will consider and treat regulations as temporary in nature. Please keep Dept fully informed of Chinese reactions.

This telegram repeated to Shanghai.

BYRNES

893.51/3-846 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, March 8, 1946—10 a. m.

[Received 9 p. m.]

451. From General Marshall. I agree with Eximbank terms with exception that I recommend China be given 3 (c) terms (Reurtel 389 of March 2) on the 10 million dollars of China's requisitions approved but not contracted for by US. [Marshall.]

SMYTH

893.51/3-846 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, March 8, 1946—1 p. m.

[Received 9:28 p. m.]

453. From General Marshall. New proposal made by T. V. Soong as follows. (ReDeptel No. 371 of February 28). Exchange of letters

between China and Eximbank not to be published but China unilaterally to release following statement in announcing loan.

"The Chinese Govt announces that the cotton purchased under the credit will be made available to privately owned textile mills of sound standing and engaged in legitimate business for process and manufacture on the same terms and credit as will be given to Government-operated mills".

Soong said he preferred to use phrase "on same terms and credit" rather than "without discrimination", as former puts issue positively. I hope this proposal will be acceptable to Eximbank. (See Deptel No. 371 of February 28). [Marshall.]

SMYTH

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Marshall Mission Files, Lot 54-D270

*Memorandum by the President of the Executive Yuan (Soong)  
to General Marshall*

CHUNGKING, March 10, 1946.

1. In August 1945 the Chinese Government presented to Mr. Leo Crowley a \$2,000,000,000 three-year loan program for (1) the development and modernization of transportation and communications, and (2) the development of mines and industries with a view toward increasing both agricultural and industrial production. In liquidation of the loan, consideration was duly given to the stimulation of exports. Mr. Crowley, in his reply, informed us that the Export-Import Bank's capital was limited, and suggested that as a beginning a one-year, instead of a three-year program, should be presented.

The Chinese Government then submitted a program calling for \$673,940,700, leaving the balance of the original \$2,000,000,000 request for future discussion. Mr. Crowley, after consulting his colleagues, replied that we could expect a credit of \$560,000,000.

Now, however, in view of the stripping of Manchurian industries by the Soviet,<sup>95</sup> the unexpected and severe devastation in Formosa, the obliteration of centers like Hengyang, Changsha, Kweilin and Liuchow, and many other unseen factors, it will be necessary to ask for an increase in the loan to the round sum of one billion dollars. It is also suggested that this sum would be of great political and psychological value to China in the grip of acute economic distress today.

2. Secondly, to make the scheduled demobilization of the bulk of what in China is essentially a professional army a reality, preparing and launching the retiring officers and men into new gainful occupations, a separate loan of \$500,000,000 is requested.

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<sup>95</sup> For correspondence on this subject, see pp. 1099 ff.



Marshall Mission Files, Lot 54-D270

*Memorandum by the Treasury Department Representative in China  
(Adler) to General Marshall*

[CHUNGKING,] March 11, 1946.

1. Dr. Soong states that Mr. Crowley after consulting his colleagues said China could expect a credit of US \$560 million. As you know, Mr. Crowley was acting without authority in this matter.

2. Dr. Soong says that whereas before China had asked for \$670 million she must now ask for US \$1 billion. It is suggested that owing to the limitations on the funds at the Export-Import Bank's disposal and to the demands on these funds from other sources a sum of approximately \$500 million would be a more realistic target. If of course the position of the Export-Import Bank would permit a somewhat larger loan (say anything up to \$750 million), so much the better.

It might be appropriate to inform the Generalissimo in your final interview that aside from Export-Import Bank financing the United States contemplates canalizing a large part of its foreign long-term lending through the International Bank for Reconstruction and Development (set up by the Bretton Woods Agreement), to the funds of which China would of course have access.

It is suggested that Dr. Soong's table <sup>96</sup> on China's capacity to pay be turned over to State and Treasury Department financial experts for critical analysis. Its inadequacies are apparent even at first glance. For instance, in section "II. Sources of foreign exchange" no figure is given against item "15. Official holdings of foreign exchange and gold", while in fact we know that these holdings total between \$800 and \$900 million.

It is suggested that the folder on "Initial Reconstruction Program for China—First Year Expenditure" be turned over to the Export-Import Bank and to the National Advisory Council for expert evaluation.

3. Dr. Soong's request for a separate loan of \$500 million to facilitate the demobilization of the Chinese Army is unrealistic. The economic problems arising from demobilization have to be solved by internal measures with which an addition of \$500 million to China's foreign exchange resources have very little immediate connection. One does not demobilize soldiers with foreign exchange.

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<sup>96</sup> Copy not found attached to memorandum of March 10, *supra*.

102.81/3-1246 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, March 12, 1946—8 a. m.

[Received 9 p. m.]

467. Please inform Commerce. In issuing new "temporary regulations with regard to foreign exchange transactions" on Feb 25, the National Govt stated objectives to be currency stabilization, promotion of recovery and implementation of international monetary fund agreement (see Embtel 377, Feb 27 and 432 [413], Mar 2). Concentration of extensive powers over foreign exchange transactions in Central Bank of China when evaluated simultaneously with not yet clarified "temporary regulations governing import and export trade" indicates intention of Chinese Govt at least during emergency readjustment period to attempt fairly extensive and centralized controls over foreign trade and exchange. Concentration of control under Central Bank of China is represented by newly introduced requirements that all dealers in foreign exchange (whether bank, exchange shop or person) be licensed by Central Bank, by power of the bank to revoke such license, its power to regulate foreign exchange transactions of all dealers and the public, and its power to buy and sell exchange.

Perhaps fundamental weakness in any attempt to apply such exchange controls in China is lack of administrative machinery and personnel to enforce and carry out system of regulation. Appointment of Pei Tsu-Yi, formerly manager of Bank of China, to post of Governor of Central Bank of China is regarded as a move intended to strengthen personnel of Central Bank and develop its administrative machinery.

Abolition of unrealistic official rate of CN dollars 20 to US dollar 1 is widely regarded as long overdue. Until more adequate restoration of prewar transportation communications network is accomplished and there exists a more satisfactory basis for distribution of domestically produced and imported commodities, until fiscal returns including increase of govt income and reduction of expenditures—especially military—are forthcoming and until confidence in business and financial circles is restored, it will probably be impossible to stabilize Chinese currency and to fix a new official rate of exchange which would reflect real market conditions on continuing basis. Present regulations appear mainly to provide cushioning influence against undue speculation and exchange fluctuations during period when Chinese currency will find its own level and to provide some basis even under uncertain conditions for a resumption of international trading. Unless suitable hedges can be arranged however trade actions cannot

help but be largely speculative in view of uncertain exchange conditions. In this connection it may be noted that under the regulations, appointed banks may do forward exchange transactions but only if their [usance] is less than 3 months.

It appears that Central Bank of China will periodically either daily, weekly or at regular intervals as circumstances warrant—set rates at which it will buy and sell foreign exchange. This rate apparently will not be binding on all licensed dealers but procedures and rules to be applied have not yet been fully determined and published. Rate at which Central Bank will make telegraphic transfers with New York has been set at CN dollars 2020 to US dollar 1 since March 5, but its rate of exchange for other types transactions has not been announced. If Central Bank were to set rate at too low a figure and seek to maintain it through its sales of exchange in the market, it could dissipate substantial foreign exchange assets even under system of control provided for in regulations.

In all likelihood Central Bank rates will for present follow rather than lead market values of exchange, as too large a sum would be needed by Govt deliberately to attempt stabilization through market buying and selling. It is understood that besides such funds as the Central Bank is using in its current operations, the Chinese Govt has set aside a substantial part—figure mentioned in US dollars 500 million—its foreign currency reserves to be used for permanent stabilization when conditions are such that this may be considered a realistic possibility.

Question immediately arises as to effectiveness of the regulations in preventing flight of capital, development which in recent history has accompanied periods of inflation and financial instability. The coverage of negotiable instruments within meaning of term “foreign exchange” as used in regulations is broad enough to prevent flight of capital in large measure, but ineffective enforcement and certain loopholes which may develop may result in extensive capital shifts from country. Exchange regulations do not provide for prohibition of export of gold from China, but such prohibition exists under export trade regulations already enforced by Ministry of Finance (see Embassy’s voluntary report No. 85, Feb. 15, 1946<sup>97</sup>) and will likely reappear in new list of articles prohibited for export when it is issued. Close relationship of regulations governing foreign exchange and those governing trade in commodities is indicated by their simultaneous promulgation. While trade controls may have broader objectives in addition to those they serve in conserving and stabilizing foreign exchange, this at present is important part their objective. As licenses are to

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<sup>97</sup> Not printed.



be granted for some imports, power to refuse licenses apparently may be invoked if exchange situation warrants. Other imports are to be prohibited, including (a) those in which China is producer and can supply own basic needs without utilizing exchange for imports or (b) luxury goods not necessary to livelihood for which exchange is not to be utilized.

In view general nature of problems of economic rehabilitation and stabilization which confront China today as touched upon above, these restrictions on exchange transactions, as promulgated, do not appear unreasonably excessive as temporary measures. Nor does it appear that they are intended to discriminate against trade by private interests as such. With respect to temporary trade control regulations, degree to which in practice they may prove restrictive on trade generally and/or discriminatory against private trade not yet clear; it would appear to depend in large measure upon actual administration of regulations and policies carried out by direction of temporary import program committee.

Detailed comments new temporary foreign trade regulations to be withheld until their full text and accompanying lists available.

SMYTH

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893.51/2-1846 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, March 19, 1946—7 p. m.

493. Cotton agreement signed Mar 14. Simultaneous announcement to be made by Govt of China and Eximbank Wed A. M. Mar 20, also simultaneous announcement of transportation credits approved in principle (Deptel 335, Feb 21) negotiation of contracts for which now in process comprising: Coast-wise ships \$6,843,750; railway repair materials and equipment \$16,650,000; power plants \$8,800,000; coal mining equipment \$1,500,000; total \$33,793,750. Credit for coal mining equipment approved Mar 13, terms 20 years 3 percent, may be increased by Bank to finance purchase equipment approved by Pierce now conducting coal mine survey.

BYRNES

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893.51/3-2146 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, March 21, 1946—2 p. m.

505. Board Directors Eximbank on Mar 20, 1946 approved renewal undisbursed balance 50 Million Dollar loan to Central Bank of China

under agreement dated Feb. 4, 1941.<sup>98</sup> Undisbursed balance of \$9,-204,706.78 renewed for period 12 months ending Dec. 31, 1946.<sup>99</sup>

BYRNES

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893.51/3-2646 : Telegram

*The Counselor of Embassy in China (Smyth) to the  
Secretary of State*

CHUNGKING, March 26, 1946—9 a. m.

[Received March 26—7 a. m.]

565. From Adler to Secretary of the Treasury.

1. Informed by Pei that up to March 18 Central Bank had sold US dollars 7.1 million for cotton imports and that appointed banks had covered a further dollars 1.3 million of cotton imports with US currency acquisitions. Pei asks me to inform you that unless you have any objection he proposes to use the US dollars 13.5 million<sup>1</sup> from the 1942 \$500,000,000 loan to China, which he says Treasury had already agreed to have credited to Central Bank's general account with Federal Reserve Bank of New York to finance purchase of textiles in Latin America, as cover for cotton imports including the dollars 7.1 million already sold, as China has cancelled its Latin American orders.

2. There is no complete breakdown of allocations of and demand for foreign exchange for financing cotton imports owing to gap in reporting system of interbank dealings, which Central Bank is now filling. Therefore, it is not known how much of the US \$40,000,000 of cover use in interbank dealings in 2 weeks after March 4 went to finance cotton imports. But according to data supplied by four leading cotton brokers to Central Bank, in addition to items specified in 1 above:

(a) There are \$5,000,000 of unpaid for cotton imports which arrived prior to March 4 when exchange regulations went into effect. Central Bank has instructed importers to obtain cover for this item from Chinese blocked assets in the US.

(b) Cotton imports to the value of dollars 27.7 million were contracted for before March 4, some of which has already arrived and the remainder of which is either enroute or scheduled for arrival in the near future. Only US dollars 3.1 million of this item had been paid for.

(c) Unsold consignments totalling US dollars 20.7 million are afloat or scheduled for arrival in the near future.

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<sup>98</sup> Further details of this agreement are found in a note from the Chinese Ambassador, January 6, 1941, *Foreign Relations*, 1941, vol. v, p. 593.

<sup>99</sup> In his note of March 29 the Chinese Ambassador informed the Secretary of State that his Government had authorized extension of this agreement to December 31, 1946 (893.51/3-2946).

<sup>1</sup> In telegram No. 65, May 1, the Treasury indicated that the use of these funds was entirely a matter of Chinese responsibility.

About 70% of the unpaid part of 2(b) and 2(c) is American.

3. Pei has decided to freeze granting applications for cover for 2(c) pending clarification of applicability of Eximbank cotton credit to the approximately US \$15,000,000 of this item representing American cotton. He asked that this question be raised with Eximbank, as it is his feeling that there should be no objection to use of Eximbank cotton credit for cotton neither contracted for nor sold before March 4. He indicated that the situation is urgent as cotton is arriving which will have to be stored pending final decision as to method of financing. A prompt clarification would therefore be appreciated.

4. Pei and Exchange Control Authorities seriously perturbed by very large demand for cotton. They suspect that some importers had already obtained at least part of their cover for item 2(b) by acquisitions of US currency from open market prior to March 4; they are therefore hesitant about committing themselves to provision of cover for this item without further investigation. They also suspect and with some justice that part of the demand for cotton represents an attempted flight into commodities.

According to Agricultural Attaché Dawson, on basis of reasonably optimistic estimates of restoration of cotton mill capacity China does not need more than about 550,000 bales of cotton imports during next 6 months. According to leading Shanghai cotton brokers, amount of cotton imported, enroute, or scheduled for delivery in near future and therefore available for production in next 6 months, including UNRRA shipments, totals 750,000 bales. It is suggested that this situation be called to attention of Eximbank and UNRRA so that shipments can be staggered in order to prevent overstocking and hoarding.

It will be recalled that Stabilization Board was confronted with similar problem on a smaller scale when it commenced operations in August, 1941, though with the difference that Shanghai was already well stocked with cotton in mid-1941. The Exchange Control Authorities feel that if the demand for foreign exchange to purchase cotton continues at its present rate, some remedial action will be called for. They feel that it may soon become necessary to ask the appointed banks to submit applications for exchange for purchase of cotton to Central Bank for approval or at least to institute a "gentleman's agreement" by which appointed banks would not grant exchange for cotton above certain amounts without consulting Central Bank. A more drastic measure would be to place cotton on the restricted list of imports, but while one official did mention this possibility to me it is doubtful whether such action would be taken save as a last resort. [Adler.]

SMYTH



Marshall Mission Files, Lot 54-D270: Telegram

*General Marshall to Lieutenant General Alvan C. Gillem, Jr.*<sup>2</sup>

[WASHINGTON,] 28 March 1946.

82435. Please transmit the following to the Generalissimo:<sup>3</sup>

"Your Excellency: I have been laboring daily since my return to resolve the various complications regarding transfers of surplus property including ships to China, securing crews for the ships, and in particular carrying through the various government agencies concerned the problem of a new loan to your Government. Briefly, I find, as was to be expected, a difficult political situation to which government officials here must give careful consideration, particularly the Board of Directors of the Exim Bank who will implement such a loan. There is also the important fact to be considered that Congress has not appropriated the \$1,250,000,000 for foreign loans which had been requested by the Exim Bank and that there is no prospect of such an appropriation in the near future. Therefore, if there is to be any immediacy in the action toward China it will have to be based on funds now available. I have had to resist, and successfully I think, determined efforts to have included in the charges against any loan, the cost of the ocean-going shipping to be disposed of to China by the Maritime Commission, which might amount to as much as \$200,000,000; also, the charge for other surplus property disposed of to China in excess of the offsets against the debt the United States owes China.

I have endeavored to represent your special interest in the character of the public announcement that would be made concerning such a loan and this has had to be balanced against the political necessities here which are a matter of great importance to the bank directorship and to the National Advisory Council headed by the Secretary of the Treasury. At the present moment it would appear probable that negotiations could be started almost immediately with a very favorable probability of securing a credit of \$500,000,000. The discussions of the past week have been devoted largely to the character of the public announcement which would be necessary to support the action of the bank and at the same time would not embarrass you as head of the Chinese Government. It has been proposed to meet this complication by the device of supplementing the public announcement by a proposed letter from the Chinese Government to the Exim Bank stating their understanding of the conditions under which the loan would be granted. This letter, of course, would not be made public unless

<sup>2</sup> Acting as General Marshall's representative in China.

<sup>3</sup> This message was passed to the Generalissimo on March 31.

at some later date an investigation by Congress of the general question of loans would impel it. I quote hereafter the two papers:

A. A draft for the press release which will also serve as a letter of notification from Exim Bank to Chinese Government of granting of credit:

‘General Marshall in his capacity as Special Representative of the President has reported that China has made substantial advances toward peace and unity and toward the rehabilitation of its economy, and has recommended that the United States now act on specific measures of financial aid in the reconstruction and development of China.

Accordingly, the Export-Import Bank, by action of its Board of Directors, is prepared, until June 30, 1947, to extend to Chinese Government agencies and private enterprises credits aggregating \$500,000,000,<sup>4</sup> for the purchase in the United States of material, equipment and services to assist in the rehabilitation and development of the Chinese economy.

It is understood that funds will be disbursed against specific projects to be approved by the bank. Credits to finance these new projects will be in addition to the bank’s loans to China now outstanding or authorized, aggregating \$127,000,000.’

B. A proposed draft of the letter from the Chinese Government:

‘In your letter of blank date you state that, “the Export-Import Bank is prepared, until June 30, 1947, to extend to Chinese Government agencies and private enterprises credits aggregating \$500,000,000, for the purchase in the United States of materials, equipment and services to assist in the rehabilitation and development of the Chinese economy. It is understood that the funds will be disbursed against specific projects to be approved by the Bank.”

My Government wishes to set forth its understanding of the terms under which these individual credits will be considered by the Bank. It is understood that individual projects will be analyzed by the Bank to ascertain whether they are economically sound; whether they would operate to improve the balance-of-payments position of China; and whether adequate personnel to supervise their installation and operation would be available. Credits to finance such projects will have varying maturities and other terms appropriate to their character and purposes.

It is also understood that the financing by the Bank of projects undertaken by private enterprise, as well as governmental projects, will be included within the maximum limitation which the Bank has adopted. Projects advanced by private enterprise must have adequate domestic financing, be sponsored by responsible individuals, and be suitably guaranteed.

My Government appreciates that one of the basic purposes for the extension of these credits is to assist China in its further efforts to achieve stability and to participate effectively in international economic affairs. It is understood that the progress of China in these respects will be considered in connection with the approval of specific projects.’

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<sup>4</sup> The Board of Directors of the Export-Import Bank formally approved these credits on April 9.

Will you please advise me or have Doctor Soong advise me of your views in the matter. It is to be understood that presumably from now on this matter would be a subject of direct negotiations between the representative of your Government and the Exim Bank. I am merely giving you, in the light of my discussions of the past 10 days, the probable amount of a loan that can be obtained under present conditions and the probable terms on which it would have to be based. It should also be understood that I have had great difficulty in securing tentative favorable consideration on the basis indicated."

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Marshall Mission Files, Lot 54-D270 : Telegram

*Lieutenant General Albert C. Wedemeyer to General Marshall*

SHANGHAI, 2 April 1946.

27205. Doctor T. V. Soong asked me to convey following information to you pertaining to projected loan to China.

"I feel that a loan to China that makes possible acquisition of machine equipment will not suffice because we would have to spend large sums of money for installation within China including labor and buildings. Therefore China hopes that any loan we made will be so flexible that part of the money could be made available in cash to permit outlay for labor and building here. Perhaps the terms concerning the loan could be made elastic so as to permit the purchase of consumer items of raw materials with some of the money."

The above is practically a direct quote and Doctor Soong stated that you would understand.

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Lieutenant General Alvan C. Gillem, Jr.*

[WASHINGTON,] 3 April 1946.

83057. This message is reply to 27205, dated 2 April 1946, from Wedemeyer. Please pass following to Doctor T. V. Soong:

"General Wedemeyer has conveyed to me your views with respect to use of part of Eximbank loan for expenditures for labor and buildings in China and for the purchase of consumer items of raw materials. In my negotiations with US Government financial representatives, I had already stressed the points which you raised. There is a firm feeling at all financial levels in the United States Government that under the statute<sup>5</sup> creating the Export-Import Bank, it should not extend credit for the purchase of consumers goods except in unusual circumstances such as were present in the cotton loan to China. Moreover, it is felt that so far as use of Eximbank funds is

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<sup>5</sup> Approved July 31, 1945; 59 Stat. (pt. 1) 526.



concerned, these should not be utilized for the payment of China domestic costs such as local labor and supplies. I feel certain that to insist upon the elasticities which you suggest would jeopardize the integrity of the entire loan and reopen proposals to charge against it Maritime Commission credits and credits for the purchase of surplus material, which as I advised the Generalissimo, I believe had been successfully though with difficulty repulsed. I anticipate that the Department of State and the Eximbank will open formal negotiations with respect to the loan with the Chinese Government's representatives with [*within*] the next day or two."

As I assume Wedemeyer has left China, a copy of this message will be shown to him here.

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Marshall Mission Files, Lot 54-D270: Telegram

*Lieutenant General Alvan C. Gillem, Jr., to General Marshall*

SHANGHAI, 5 April 1946.

27655. Following message is passed from Doctor T. V. Soong for General Marshall.

Generalissimo transmitted me in Shanghai your message of 31 March<sup>6</sup> in re Export-Import Bank credit and directed me to convey you the following reply:

["I have been following with deep gratitude your vigorous efforts to secure aid for China, and I am particularly happy to receive your message reporting your success with the Import-Export Bank Loan. I am also grateful for your efforts in resisting the inclusion of the Maritime Commission's sales to China and the charges for surplus property over and above the offsets against US currency obligations in China, which evidences your thoughtfulness in getting the utmost for China.

As to the two drafts for the Import-Export Bank Loan may I make these observations:

I. As you doubtless know, our treasury is hard put to meet current expenditures. Would it be possible for the Export-Import Bank to make the loan so elastic that it would either (1) provide cash for domestic expenditures in China to cover each specific project, or (2) provide that loan may cover the purchase of goods or raw materials that may be sold in China and proceeds be used for these specific projects?

II. May I suggest that in the draft of the Export-Import Bank letter to China the wording be changed to read 'General Marshall etc. etc. has reported that China has made substantial advances towards improving the political and economic conditions essential for the rehabilitation of its economy, and has recommended etc. etc.'.

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<sup>6</sup> See telegram No. 82435, March 28, and footnote 3, p. 970.

III. In the proposed draft of letter from the Chinese Government may I suggest that paragraph 4 be omitted, and in its place paragraph 2, second sentence the last part to read 'and whether the Chinese Government will be able to arrange adequate personnel to supervise their installation and operation; and whether at the time each individual project is re-examined the Bank in its opinion considers the conditions in China warrant making use of the credit.'

The suggested change in the condition governing the ability to arrange for adequate personnel is principally a question of draughtsmanship that you will readily appreciate. As to the final clause it will I hope meet the point that the Export-Import Bank should have the final say whenever any project is concerned but it is in a form the Chinese Government would prefer.

I realize most fully the extraordinary difficulties you have to overcome to secure favorable collaboration, and I also readily appreciate the needs of the directors of the Import-Export Bank. But I hope you will give my suggestions your careful consideration, wiring back if you have any comments to make before presentation to the Import-Export Bank. Again with warmest thanks, Chiang Kai Shek.[""]

Will you please send me through General Maddocks' Shanghai your reply to Generalissimo's message.

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Major General Ray T. Maddocks*

[WASHINGTON,] 9 April 1946.

83749. This message is reply to 27655 dated 5 April. Please pass following to Doctor T. V. Soong:

"Since receipt of your message, I have made informal investigation in the State and Treasury Departments and with Export-Import Bank officials. So far as concerns the suggestions made under your Article 1, respecting utilization of the loan for domestic expenditures in China or the purchase of consumer's goods, the situation is as I indicated to you in my previous message on the subject; namely, the view is rather firmly held here the ExImBank funds should not be utilized for the payment of Chinese domestic costs, such as local labor and supplies, and that under the statute creating it, the Export-Import Bank should not extend credit for the purchasing of consumer's goods except in unusual circumstances such as were present in the cotton loan to China.

"So far as concerns the suggestion contained in Articles 2 and 3 of your message, our governmental agencies hold the view that the draft changes suggested involve a definite change of meaning rather than of form only. It is apparent to me that discussion of these changes will necessitate detailed negotiation.

<sup>1</sup>Maj. Gen. Ray T. Maddocks, Chief of Staff, United States Forces, China Theater.

"As it would be neither practical nor appropriate for me personally to conduct detailed negotiations; and as it is apparent that the changes suggested will require such negotiations, I decided not to make a formal approach to the Board of Directors of the Export-Import Bank nor to other interested agencies and will not do so. I am giving you the benefit of my informal investigation for such use as you may care to make of it in instructing your government's representatives in Washington in further negotiations with the Export-Import Bank."

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893.51/4-946

*Memorandum of Conversation, by the Director of the Office of  
Far Eastern Affairs (Vincent)*

[WASHINGTON,] April 9, 1946.

Participants: Dr. Wei Tao-ming, Chinese Ambassador,  
Dr. S. C. Wang of the Chinese Embassy,  
Under Secretary,  
Mr. Vincent, FE.

Ambassador Wei and Dr. Wang called on their own initiative. The Ambassador informed Mr. Acheson that Generalissimo Chiang and T. V. Soong desired to have some drafting changes made in the proposed press release on the credit to China and in the proposed letter from the Chinese Ambassador to Mr. Martin <sup>8</sup> of the Export-Import Bank in regard to use of the credit. (The drafting changes suggested are shown in the attachments.<sup>9</sup>)

Following Ambassador Wei's explanation, Mr. Acheson strongly advised him against opening up the matter by endeavoring to get agreement to these drafting changes. He pointed out that considerable effort had been exerted to arrange the credit; that the proposed drafting changes were not material to actual extension of the credit; and that he thought the Chinese Government would be well-advised to let the matter go forward on the basis of the present draft. Mr. Acheson added, however, that if the Chinese Ambassador wished to take the matter up with Mr. Clayton or the Secretary of the Treasury he was of course quite free to do so.

The Ambassador accepted Mr. Acheson's explanation and asked at once when he thought the exchange of letters might take place. Mr. Acheson called Mr. Martin on the telephone and asked him to make appropriate arrangements with the Chinese Ambassador and Mr. Clayton.

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<sup>8</sup> William McC. Martin, President and Chairman of the Board of Directors of the Export-Import Bank of Washington.

<sup>9</sup> Not found attached to file copy of memorandum.



In the course of the foregoing conversation Dr. Wang mentioned the Chinese Government's desire that there be some understanding in connection with the extension of the credit which would permit greater flexibility in its utilization. He explained, not too clearly, that he had in mind utilization of the credit for the purchase of certain consumer goods in this country which would be of immediate assistance to China in its present difficulties. He was not specific as to the type of consumer goods he had in mind but explained that they might be indirectly related to approved industrial projects. (I gathered that he might have in mind the purchase immediately of certain products which it was intended would eventually be produced in China by the industrial projects approved by the Export-Import Bank—JCV.)

Mr. Acheson gave Dr. Wang a brief explanation of the principles and policies that guide the Export-Import Bank in making loans and stated that he could not pass on the question raised by Dr. Wang. He went on to say that the Export-Import Bank in examining the projects would have to reach a decision as to whether utilization of the credits in the manner suggested by Dr. Wang was in accordance with the Bank's practices.

[([)Note to Mr. Acheson: I saw Mr. Clayton after leaving your office, explained to him the conversation that had just taken place as outlined above, and asked him whether there was any reason why the exchange of letters should not take place at an early date. He said that there were no considerations being attached to extension of the credit other than provided for in the exchange of letters and that therefore the exchange might take place without further delay—JCV.)

J[OHN] C[ARTER] V[INCENT]

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Marshall Mission Files, Lot 54-D270

*Memorandum by Colonel James C. Davis to General Marshall*

[WASHINGTON,] April 12, 1946.

I. *Introduction.* The following statement briefly summarizes the status of the various economic projects of interest to China on which you have been working as of the time of your departure for China.

II. *Disposal of LST's.* Mr. Huntington Morse<sup>10</sup> called me last night and read me a letter which has been signed by the Acting Chairman of the Maritime Commission<sup>11</sup> and transmitted to the Foreign Liquidation Commission, concluding that LST's are not merchant

<sup>10</sup> Assistant to the Administrator of the War Shipping Administration.

<sup>11</sup> Capt. Edward Macauley.

vessels or capable of conversion to merchant use within the terms and intent of the Ships Sales Act. As a result, the Maritime Commission has disclaimed any interest in their disposal and has advised FLC that owning agencies may declare LST's surplus directly to FLC, who may make disposition of them under ordinary surplus disposal rules. This will permit the Chinese to purchase LST's at a price which they can afford.

### III. *Status of Military Advisory Group.*<sup>12</sup>

A. *Legislation.* It will not be possible to accredit a Military Advisory Group to China until after the passage of enabling legislation. There are currently pending in the Congress companion bills (H. R. 5433 in the House and S. 1847 in the Senate). These bills were introduced by Chairman May of the House Committee on Military Affairs and Chairman Thomas of the Senate Committee on Military Affairs respectively. The House bill has been favorably recommended by the Committee. The Senate bill is still pending in the Committee. Before your departure from [for] China you addressed letters to Mr. May and Senator Thomas,<sup>13</sup> stressing the urgency of favorable consideration of this legislation. As Tab A<sup>14</sup> there are attached copies of the proposed House and Senate bills together with the House Committee report.

B. *Negotiations with the Chinese Government.* As you know there have been rather sharp differences in view between the State Department and the War and Navy Departments as to the terms under which the Group should be accredited to the Chinese Government. In the President's directive authorizing the Group he specified the State Department as the agency to negotiate these terms. Attached Tab B is the latest draft of a proposed agreement prepared by the Department of State. This draft at working levels has now substantial agreement of both State and War Departments. The last two controversial issues were resolved yesterday when you, with General Wedemeyer's concurrence, agreed that the channel from the Group to the Chinese Government should be through the Ambassador or, in his absence, the Chargé d'Affaires rather than solely through the Ambassador, as had been desired by the War and Navy Departments; and that any provision for compensation over and above normal pay and allowances of the Group should be covered by general provision only subject to the agreement of the Governments of China and the United States rather than by inclusion of a specific pay schedule as desired by the services. These propositions are covered in the attached draft in paragraphs 19 and 12 respectively.

<sup>12</sup> For correspondence on this subject, see pp. 810 ff.

<sup>13</sup> See letter of April 12, p. 827.

<sup>14</sup> Annexes not printed.

Additional formal drafting changes may be required. For instance, the Treasury is now checking the tax exemption provisions and the method for handling reimbursement to the United States by the Government of China. As soon as these are completed, a copy of the proposed agreement will be furnished through official channels by the Secretary of State in order that negotiations may be formally conducted in China.

IV. *Status of FLC Credit.* You will recall that in preliminary conversations, consideration was given to the extension at this time by the FLC of a line of credit of \$250,000,000 for the purchase of surplus materiel. As it was determined that it would be wiser to make the initial extension of such credit small with the possibility of increasing it if it became necessary, FLC has notified its field representatives, General Johnson at Shanghai and Mr. Howard at Manila, that they may sell surplus materiel, including small shipping under the control of FLC, up to a total sales price of \$150,000,000. Authority has also been granted to extend this credit up to thirty years at 2 $\frac{3}{8}$  percent interest per annum. General Johnson and Mr. Howard have been notified that you are very anxious that the Chinese receive the most favorable price terms possible and that any over-all contracts for disposition of surplus shall be submitted to you for approval before consummation.

V. *Status of Chinese Shipping Program.*

A. *FLC Type Supplies.* Dr. Soong, pursuant to your suggestion, has given Dr. Wang over-all authority to coordinate the procurement and development of requirements for Chinese shipping, including that to be provided by UNRRA. An over-all program, copy of which is attached as Tab C, has been submitted by the Chinese to FLC. Although final sales of the craft covered by this program will be consummated in the field, it is expected that basic negotiations looking to the finalization of the program will be conducted in Washington. This is necessary because FLC representatives in the field are cognizant only of those items which have already been declared surplus while in Washington by closer coordination between FLC and the War and Navy Departments it is possible to accurately forecast potential declarations which can be considered in the development of the Chinese program.

The Chinese have employed Morrison-Knudsen, a Portland, Oregon, contractor, to recruit and train the necessary personnel to operate this shipping. Morrison-Knudsen propose to send immediately to China an operating team of five or six experts together with one hundred men made up principally of diesel engine experts. They will continue to recruit as rapidly as possible. They will also provide the Chinese Supply Commission here in Washington with a shipping



expert who can assist in maintaining daily liaison with FLC and the Army and Navy Departments until the program is consummated.

UNRRA has agreed through Deputy Administrator Jackson to designate one of its top officials to effect the necessary coordination between the UNRRA program for China and that of FLC.

B. *Maritime Commission Type Craft.* The Chinese have submitted to the Maritime Commission their requirements for the purchase of ships of the large type, sale of which is controlled by the Maritime Commission. Copy of this statement is attached as Tab D. Sales of this type craft must be consummated in accordance with the Ships Sales Act, copy attached as Tab E. This legislation rather rigidly establishes the price at which these ships can be acquired. The Maritime Commission has not yet promulgated regulations under which it will actually dispose of shipping pursuant to the Ships Sales Act. However, arrangements have been made to process informally the Chinese requirements in advance of promulgation of the formal regulations in order that their consideration may be thereby advanced. Colonel Carter<sup>15</sup> will continue to expedite this problem.

VI. *Status Over-all War Settlement.* On 4 April 1946 the Acting Secretary of State, Mr. Acheson, notified the Chinese Ambassador, Dr. Wei, and Dr. Wang that this Government desired to initiate negotiations looking toward an over-all war settlement to include settlement of lend-lease accounts, settlement of Chinese advances on account of the United States, such as the yuan advances and expenditures, determination of surplus credits, and other various matters between the two Governments arising out of the war.<sup>16</sup> The Chinese have not yet designated a negotiator. My judgment is that Dr. Soong should designate Dr. Wang to carry on these negotiations and supplement his work by sending to the United States such additional experts as may be required.

The United States at the working levels is pretty well agreed on principles which will guide our negotiators in this activity. The present American view is briefly summarized in Tab F attached.

Colonel Carter is thoroughly familiar with the general lend-lease problem, as its administration was his responsibility in the China Theater. He has arranged to follow the proposed negotiations closely.

JAMES C. DAVIS

P. S. Further action on the \$500,000,000 loan awaits your advice from China. J. C. D.

<sup>15</sup> Col. Marshall S. Carter succeeded Colonel Davis as General Marshall's representative in Washington.

<sup>16</sup> The relevant *aide-mémoire* is quoted in Department telegram No. 58, May 1, 3 p. m., p. 982.

893.51/4-1246 : Telegram

*The Counselor of Embassy in China (Smyth) to the  
Secretary of State*

CHUNGKING, April 12, 1946—6 p. m.

[Received April 13—6:10 a. m.]

670. It is urged that any definitive commitment to China by Eximbank on 500 million loan and also publication of proposed press release be deferred until General Marshall has returned to Chungking and has opportunity to evaluate situation himself. (Reur 616, April 9, for Adler from Treasury.<sup>17</sup>) Deterioration of internal political and military situation reported in General Gillem's 461, of April 8 to Warcos<sup>18</sup> for General Marshall has since been accentuated. Situation with regard to reorganization of Government and drafting permanent constitution now in complete deadlock and there is [no?] progress toward implementation of PCC agreements.<sup>19</sup> Fierce Communist editorial against the Generalissimo and the Generalissimo's interview with UP<sup>20</sup> Far Eastern manager Vaughn, most of which Embassy now learns Generalissimo subsequently asked to be treated as "off the record", but which we are sure must have leaked out in leading political circles here, both reflect and aggravate worsening internal political relations. (See Embtel 655, April 10.<sup>21</sup>)

It is Embassy's considered opinion that definitive commitment on or announcement of loan prior to General Marshall's return would deprive him of a most powerful weapon when it is most needed.

It would therefore seriously weaken his hand in reversing the present trend and bringing parties back to path on which he had set them. In particular, announcement that "General Marshall has reported that China has made substantial advances toward peace and unity and toward rehabilitation of its economy" at a time when much of progress made under his direct influence has been lost and when all of it is in grave danger of being dissipated would seem ill-advised. Colonel Caughey<sup>22</sup> representing General Gillem in Chungking, and Treasury Attaché Adler concur.

Please show to General Marshall.

SMYTH

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<sup>17</sup> Not printed.

<sup>18</sup> Vol. ix, p. 742; Warcos was symbol for Chief of Staff, War Department.

<sup>19</sup> For Chinese Political Consultative Conference agreements, see *United States Relations With China*, pp. 610-621.

<sup>20</sup> United Press Association.

<sup>21</sup> Vol. ix, p. 167.

<sup>22</sup> Col. J. Hart Caughey, Executive Officer on General Marshall's staff in China.

893.51/4-1246 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, April 13, 1946—1 p. m.

643. Decision on deferment for exchange of letters and publicity on Eximbank credit as recommended your 670, Apr 12, 6 p. m., taken prior to departure of General Marshall yesterday.

BYRNES

893.51/4-1946 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, April 19, 1946—10 a. m.

[Received 11:14 a. m.]

704. From Adler to Secretary Treasury.

1. After a number of conferences between Minister of Finance, Colonel Webber and myself (see Urtel 403 of March 5), we initialled a minutes of meeting held at Ministry on April 15, 1946. Substance of minutes follows:

(a) Chinese advances to US Armed Forces in China from January 1, 1945, to April 15, 1946, total 161,683,497,110 yuan and 500,000 Taiwan yen, while deductions from the above sum representing taxes, advances to the Chinese Army exceptions, etc. total 36,402,739,000 yuan. Net obligations are therefore 125,280,758,110 yuan and 500,000 Taiwan yen.

(b) The US may prior to settlement negotiations return to Chinese Govt such unexpended yuan and Taiwan balances as are no longer needed and the amount so returned shall for the purpose of settlement negotiations be deducted from the net obligations of the US (Colonel Webber informs me that he expects to be able to return about 15 billion yuan, which would leave our net yuan obligations at just over 110 billion yuan).

(c) The above amounts do not include any expenditures made on account of War Area Service Corps activities. (Chinese submitted a table on their WASC advances during 1945 totalling approximately 34.6 billion yuan, but not all this sum was spent. Colonel Webber will prepare a report on WASC expenditures to date on his return to Shanghai).

(d) The above in no way prejudices position of either party with respect to determination of US dollar equivalent of the net yuan and Taiwan yen obligations of the US to China.

2. Documents following by pouch. [Adler.]

SMYTH



893.51/4-3046 : Telegram

*The Acting Secretary of State to the Embassy in China*

WASHINGTON, April 30, 1946—noon.

695. For General Marshall. Chinese Supply Commission has applied to Eximbank for credit of 28 million dollars to purchase railway and bridge ties and structural timbers for railway bridge repairs. This application is in addition to credit of \$16,650,000 for railway repair materials, including 1,500,000 ties, recently extended by Bank. Although recognizing urgent need of railway repair, Bank Directors unwilling to approve new application, or any part thereof, at this time unless you so recommend and they would appreciate your early comment.

ACHESON

893.24/5-146 : Telegram

*The Acting Secretary of State to the Embassy in China*

WASHINGTON, May 1, 1946—3 p. m.

58. On April 4, Messrs. Acheson and Clayton handed following *aide-mémoire* to Chinese Ambassador here :

“Department proposes negotiations begin at once in Washington on settlement war account between US and China including settlement lend-lease, surplus property, yuan advances, and other claims arising out of war.”

Important item for settlement lend-lease is inventory of lend-lease goods in hands of Chinese civilian agencies on V-J Day. On August 19 [18], 1945 Crowley, then FEA Administrator, asked in letter to Dr. Wei Tao-Ming, Chinese Supply Commission here,<sup>23</sup> “that you furnish as soon as possible an inventory listing as of V-J Day all articles that have been transferred to your Government by the FEA on lend-lease terms and that have not been lost, destroyed, or consumed”. This letter also brought to attention Dr. Wong Wen-Hao, Chairman Chinese WPB, in letter from William Stanton, FEA representative Chungking, on November 27, 1945.

No reply and no inventory report received to date from Chinese.

Suggest urgently you tell Dr. Soong (and inform General Marshall) we want inventory report earliest possible but certainly by time of negotiations; if not made available by Chinese at that time, they must accept our estimates of probable value of inventory.

ACHESON

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<sup>23</sup> *Foreign Relations*, 1945, vol. VII, p. 1130.

893.51/5-646 : Telegram

*The Counselor of Embassy in China (Smyth) to the  
Secretary of State*

NANKING, May 6, 1946—8 a. m.

[Received May 6—6 a. m.]

749. From General Marshall. In view of urgency (attention Vincent) of Chinese need for railroad repair equipment I recommend that the Chinese request for a credit of \$28,000,000 be granted. (Reurtel 695 of April 30.) For your and Eximbank information this credit should eventually come out of the \$500,000,000 credit when it is granted; however, the Chinese Supply Commission should not be so informed. [Marshall.]

SMYTH

893.24/5-746 : Telegram

*The Counselor of Embassy in China (Smyth) to the  
Secretary of State*

NANKING, May 7, 1946—4 p. m.

[Received May 8—6:15 p. m.]

763. Representative of Embassy transmitted your message to T. V. Soong on May 6. (Reurtel 58 of May 1.) Soong said he believed value inventory would be small and that he would ask Dr. Wong Wen-hao to furnish required data earliest possible.

2. In same interview, Dr. Soong said he had instructed T. M. Hsi<sup>24</sup> and T. L. Soong<sup>25</sup> to represent China in negotiations in Washington for determination of US dollar equivalent of our yuan debt to China. It was thereupon pointed out to Soong that what we desire is negotiations for an overall settlement of war account between US and China, of which yuan debt is only one item. General Marshall had made our desire for speedy initiation of negotiations for overall settlement clear in a letter to Soong dated February 20.

SMYTH

893.51/5-846 : Telegram

*The Acting Secretary of State to the Consul General at Shanghai  
(Davis)*

WASHINGTON, May 8, 1946—5 p. m.

785. For Calder or Dawson. Officials Chinese Supply Commission request of Eximbank additional credit of \$7,000,000 for purchase of

<sup>24</sup> Hsi Te-mou, representative in the United States of the Chinese Ministry of Finance and the Central Bank of China.

<sup>25</sup> Brother of T. V. Soong.

cotton. Recent purchases in the United States by Commission under \$33,000,000 cotton credit amount to \$6,670,000. Is entire \$33,000,000 required to finance cotton shipped to Shanghai on consignment or cash on arrival and unpaid plus estimated unpaid cotton afloat? Eximbank requests recent data and your opinion. Early reply appreciated. Repeat to Nanking.

ACHESON

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893.51/5-1246 : Telegram

*The Consul General at Shanghai (Davis) to the Secretary of State*

SHANGHAI, May 12, 1946—4 p. m.

[Received May 12—10:33 a. m.]

827. Special studies have been conducted here for past fortnight on cotton situation (ReDeptel 785, May 8, 5 p. m.). Information developed indicates that entire \$33,000,000 is required and has been allocated for American commercial cotton arrived or afloat as of March 4 for which exchange had not been previously provided. All kinds of cotton in sight including prospective Chinese crop and UNRRA commitments will supply China's needs possibly into second quarter of calendar year 1947 as presently estimated. The \$6,670,000 commitments made by the Chinese Purchasing Commission are additional. The Chinese authorities here have advised merchants that no further exchange will be allocated for imports of cotton from any source until present stocks and commitments are reduced to reasonable proportions. Merchants have so telegraphed their offices in United States. It is understood that the Chinese authorities here have been aware for sometime that the entire \$33,000,000 fund would probably be needed for financing the commercial commitments already made. Hence it is difficult to understand why the Purchasing Commission proceeded with new commitments when the adequacy of supply was well known.

Dawson and Calder express following opinion :

"Non-American cotton has arrived or been consigned or contracted in quantities greater than shipments of American cotton. Since the Purchasing Commission is already committed for American cotton, refusal to increase the loan total thus to \$40,000,000 will not mean the sale of any less American cotton at this juncture. The extension of an additional \$7,000,000 credit, however, would aid the trading houses supplying the Brazilian, Mexican and other cotton, some of which have admittedly indulged in 'over-supply' risks, since the Chinese authorities would presumably be more inclined to grant exchange cover by virtue of the loan. If this request for additional credit is readily granted, it may be regarded as a precedent and may encourage the Chinese Purchasing Commission to proceed similarly in other avenues of trade as related to prospective loans.



If, despite these considerations, the additional credit is extended, it would apparently have for its main purpose the easing of China's foreign exchange position, but this too would seem unnecessary since there has thus far apparently been no great strain upon the \$500,000,000 exchange stabilization fund.

If it is deemed inadvisable to refuse the request, then the additional credit could be granted on condition that American cotton will be given priority in exchange allocations to the extent of an equivalent of the Eximbank loan when new purchases are resumed. As Brazilian for quality and price is preferred here over American cotton, it may be advisable to give serious thought to the foregoing suggestion. Fred Taylor<sup>26</sup> has been fully consulted and agrees in principle with these views."

Sent Dept as Shanghai serial No. 827, May 12, 4 p. m., repeated Nanking as No. 473.

DAVIS

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S93.51/5-1346 : Telegram

*The Counselor of Embassy in China (Smyth) to the  
Secretary of State*

NANKING, May 13, 1946—3 p. m.

[Received 9:40 p. m.]

793. From Adler to Secretary Treasury. Conference of high Government officials presided over by T. V. Soong met Nanking May 7-9 to discuss monetary, financial and economic situation. Governor Pei who attended conference informed me its aim to institute retrenchment of expenditures for at least next 6 months and that he was going to advise Generalissimo that priority in rehabilitation program should be assigned to rehabilitation of currency. O. K. Yui also informed me that he was making himself unpopular with the various ministries by proposing curtailment of expenditure estimates.

Pei did have a long talk with the Generalissimo, but there have been so many commitments for additional expenditures that the prospects of any really significant reduction in expenditures or even of holding the line against further encroachments of [hyperinflation] as advocated by Soong and Pei are not bright. Thus it would appear at this time that an increase in military and quasi-military expenditures is more probable than a diminution.

2. Pei again defended the Central Bank policy of maintaining the exchange repeated to me. It was originally contemplated that the rate should be allowed to depreciate, but fear that exchange fluctuations would be blamed for rising prices seems to have curbed Central

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<sup>26</sup> Agricultural Commissioner at the Embassy in the United Kingdom.

Bank's initiative. Chinese private imports in first 2 months of exchange control were at rate of US dollars 30 million a month, cover for just over a third of which was provided by Central Bank. [Adler.]

SMYTH

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893.51/5-2046 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

NANKING, May 20, 1946—8 a. m.

[Received 8 : 23 a. m.]

827. On May 14 Embassy was informed by FonOff<sup>27</sup> by letter that "Executive Yuan, on behalf of the Govt of the Republic of China, has approved the borrowing of \$16,650,000 from the Export-Import Bank of Washington, D. C., for the purchase and exportation to China of materials for the repair of the Chinese Railway system upon terms providing for payment of principal in 50 approximately equal semi-annual installments, the first of which shall be due and payable in October, 1951, with interest at the rate of 3 percent per annum payable semi-annually. The Executive Yuan has authorized Dr. S. C. Wang, Chairman of the Chinese Supply Commission in Washington, to execute on behalf of the Govt a credit agreement containing such other terms and conditions as may be required by the Export-Import Bank, and to execute and sign promissory notes evidencing advances against such credit. The Executive Yuan has further authorized Dr. S. C. Wang or such person or persons as he may designate in writing to do any and all other acts in connection with effecting the loan and carrying out the agreement.

In consequence of the foregoing action by the Executive Yuan, the agreement and all acts performed pursuant thereto by the above designated representative will be valid and binding on the Govt of the Republic of China."

SMYTH

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893.51/5-1246 : Telegram

*The Secretary of State to the Consul General at Shanghai (Davis)*

WASHINGTON, May 21, 1946—3 p. m.

888. As Dept understands proposal in Urtel 827, May 12, additional credit if granted should be on condition that no exchange be allocated for purchase non-American cotton until a further \$7 million has been

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<sup>27</sup> Foreign Office.

allocated for American cotton thus assuring total American sales of 47 million. Dept believes proposal inappropriate and in conflict with principles American trade program. However, sentiment in Eximbank seems adverse to Chinese request but no action taken.

BYRNES

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893.51/6-1446 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

NANKING, June 14, 1946—2 p. m.

[Received June 14—1:05 p. m.]

981. From Adler to Secretary of Treasury. In conversation with Dr. Soong on June 13 he emphasized gravity of the cotton situation, indicating that excessive imports of cotton were taxing port and storage facilities, were encouraging speculation, and providing convenient channel for flight capital. Accordingly he asked me to transmit to you a request from him that the granting of specific licenses releasing Chinese blocked assets for purchase of cotton be discontinued for time being. (This step would of course apply to purchase of cotton only and not to use of blocked funds for purchase of other commodities).

2. I understand that Chinese Government is contemplating taking further measures tightening up exchange control with respect to cottons. [Adler.]

SMYTH

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893.51/6-1746 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

NANKING, June 17, 1946—4 p. m.

[Received June 18—6:55 a. m.]

998. By letter dated June 15 Embassy was informed by FonOff in substance that on behalf of Chinese Govt Executive Yuan has approved borrowing \$8,800,000 from Eximbank for purchase and export to China of materials and service required to install 10 auxiliary power units and accessory equipment in China, on terms providing for payment of principal in 50 approximately equal semi-annual installments, first of which due and payable in October 1951, at 3 percent per annum payable semi-annually. Chinese Supply Commission in Washington has been authorized by Executive Yuan to execute a credit agreement on behalf of his Govt containing such other terms and conditions as Eximbank may require, and to execute and sign



promissory notes evidencing advances against such credit. Dr. S. C. Wang or such person or persons as he may designate in writing has also been authorized to perform any and all other acts with respect to effecting loan and implementing agreement.

Chinese Govt accepts agreement and all acts done pursuant thereto by its above designated representative as valid and binding on it.

SMYTH

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Marshall Mission Files, Lot 54-D270 : Telegram

*The War Department to General Marshall*

WASHINGTON, 22 June 1946.

92214. In conference with General Eisenhower<sup>23</sup> 20 June high officials of Pan American Airways discussed matter of Export-Import Bank loan to CNAC.<sup>29</sup> The matter is still in discussion state and no indication was given by PAA that the Chinese or Exim Bank had yet been consulted. PAA pointed out that their China contract has just been renewed for 5 years with provision for 5-year extension. They own 20% of CNAC stock with remainder owned by Chinese Govt. They claim the unique position of being only foreign company that is accorded a completely free hand in any of China's industries. Under the present plans for financing and procurement of equipment a gradual extension of service is contemplated dependent upon future revenues. Provided, however, that Exim Bank will make loan to CNAC to be guaranteed by Central Bank of China, the company stands ready to undertake an immediate enlargement of air facilities in China. This loan, the company feels, should be on the order of 20 million dollars to establish a modern service over China, including weather and communications, improved fields and expansion of operational airplanes from 40 to 150. The company officials asked General Eisenhower his opinion as to whether it would be a good thing for the United States in view of our many commitments in China for assistance of various types. They did not ask for War Dept support from a national security standpoint. General Eisenhower told them that this was largely a question for the State Dept and particularly for you to pass upon. He stated that he would communicate the project to you for whatever answer you chose to make. Your comments are requested.

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<sup>23</sup> Army Chief of Staff.

<sup>29</sup> China National Aviation Corporation.

Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to the War Department*

NANKING, 24 June 1946.

979. For Warcos. The expansion of ground facilities for air operations and extension of airways services in China re 92214 <sup>30</sup> is considered a desirable adjunct to the economic rehabilitation of China. However the methods by which this is accomplished is believed to be the primary responsibility of the Chinese Government. Since the National Advisory Council and the Exim Bank have not requested my views as to the propriety of the proposal made by PAA, I consider it premature for me to comment thereon at this time.

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102.1/7-146 : Telegram

*The Acting Secretary of State to the Embassy in China*

WASHINGTON, July 1, 1946—1 p. m.

390. For Adler from the Secretary of the Treasury.<sup>31</sup> We have been reviewing the question of releasing blocked Chinese assets. (Reurtels 312, Feb. 16 and 750, May 6, 1946.<sup>32</sup>) It is apparent that these assets cannot remain blocked indefinitely, particularly since FFC<sup>33</sup> is committed to remove wartime controls administered by it as rapidly as possible. Discussion is still in preliminary stages and tentative views of Treasury which have not been discussed with other interested agencies are that these assets should be unblocked without requiring certification by the Chinese Govt. This tentative view is based primarily on the following considerations:

(a) there is little evidence that the Japanese made any attempts to hide their assets here through cloaks in China;

(b) it is doubtful that a certification procedure could be carried out efficiently and satisfactorily by the Chinese Govt; and

(c) this action would parallel that taken by the British Govt last Jan 9 in removing Chinese assets from the operation of their trading with the enemy regulations.

Your immediate views would be appreciated. [Snyder.]

ACHESON

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<sup>30</sup> *Supra.*

<sup>31</sup> John W. Snyder.

<sup>32</sup> Neither printed.

<sup>33</sup> Foreign Funds Control of the Treasury Department.

893.51/6-1446 : Telegram

*The Acting Secretary of State to the Embassy in China*

WASHINGTON, July 3, 1946—8 p. m.

408. For Adler from the Secretary of the Treasury. As you know, cotton purchases made (Reurtel 981, June 14) with funds accrued since Dec 7, 1945 are licensed by General License 94. Practically all trade transactions financed by blocked Chinese funds consummated under blanket license. To single out one commodity category for special action seems unfeasible from funds control standpoint and likely to engender very substantial objection from US cotton interests. [Snyder.]

ACHESON

893.51/7-1246 : Airgram

*The Acting Secretary of State to the Embassy in China*

WASHINGTON, July 12, 1946.

A-131. For General Marshall: Dept considering steps which might appropriately be taken at time deemed opportune by you to assist China in dealing more effectively problems of economic stabilization, reconstruction and development. Would appreciate your comments re tentative views expressed below, as well as information you may already have as to probable Chinese attitude.

A. China confronted with tremendous task of absorbing and making effective use imports of equipment and materials far greater than amounts received at any past time. UNRRA supplies include substantial amounts capital equipment. Large amounts factory equipment may be received as reparations from Japan. Such imports, plus those obtainable existing Chinese dollar assets and FLC and Eximbank credits already granted present major problem regardless of any additional credits.

B. Effective use of this large import potential requires *inter alia* adequate technical services, in connection with which foreign assistance could make substantial contribution.

1. Important to obtain engineering and managerial services of sort needed to plan location, and carry out construction and operation factory, mining, transportation, and other projects. Such technical assistance can be provided by retaining American (and other) foreign companies and individuals with necessary technical qualifications. Understand China has already retained services about one dozen American industrial and engineering companies, but doubtless needs to go further along these lines. Their services, aside from being useful to China, could be definite safeguard to such agencies as Exim-



bank which might require China to take adequate steps this direction where U. S. credits are involved.

2. Advisory group referred to below may be useful in calling attention to need for further technical services in appropriate cases.

C. At least as important as problem referred to in "B" is obtaining highly competent foreign personnel to advise concerning questions of basic policy. Such questions include extent to which China should emphasize development heavy industries such as iron and steel, as contrasted with consumer goods industries. Other questions include emphasis on development of export industries, use of foreign credits and other resources to improve agriculture, extent of nationalization various types of industry, development of more adequate tax system, improvement fiscal policies and related matters.

1. Now and for years past, China has engaged numerous foreign advisors or experts in different fields, such as customs, finance, taxation, etc. While such experts have sometimes been employed for period long enough to be effective and have sometimes been given group status, results have often been minimized by brevity of appointments or lack of effective coordination. Joint knowledge and coordinated efforts of advisers can be far more effective than individual contributions in unrelated assignments.

2. May be desirable, therefore, for Chinese Govt not only to retain highly competent expert advisors on continuing basis, but to associate all principal advisors in small group under foreign chairman or moderator. Such group might report directly to President of China or his designee. It should not have administrative responsibility.

3. Advisory group should not be limited to Americans. Could properly include Chinese or other foreigners. Regular members, whether Chinese or foreign, should not have other governmental positions. Panel members nominated by and called upon by full-time advisory group for advice or assistance on particular problems would include Chinese or other foreign experts employed by ministries of finance, economic affairs, agriculture, communications, etc.

4. Foreign members of such group should be regarded by Chinese Govt and their own Govts as solely within employ of and responsible to Chinese Govt. However, this would not prevent Eximbank, for example, from requesting Chinese Govt, through Emb, to make available studies or materials prepared by advisory group's regular or panel members on matters relevant to Eximbank credits. Such requests could also appropriately be made for materials prepared elsewhere in Chinese Govt which are relevant to credit applications.

5. As you doubtless know, US representatives have at times discussed with Generalissimo and other high Chinese officials idea of US economic advisory mission to be sent China, and Chinese are said to have reacted favorably. Dept, however, inclined to believe such an approach definitely inferior to general plan outlined above.

D. Dept recognizes Emb and consular staffs insufficient to conduct necessary economic investigations and reports concerning such mat-

ters as proposed uses Eximbank credits, plans for industrial and agricultural development, Chinese attitudes towards position of Chinese and foreign private enterprise, etc. While attention being given increase of staffs, and your comments desired, you and Emb will appreciate that under ForServ budget such increases are possible only by transfers from existing foreign and home Dept positions.

ACHESON

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102.1/7-1846: Telegram

*The Minister-Counselor of Embassy in China (Butterworth) to the Secretary of State*

NANKING, July 18, 1946—4 p. m.

[Received July 19—7 a. m.]

1160. For Secretary of Treasury from Casaday:<sup>34</sup> In recent telegram from US Navy Disbursing Officer, Tsingtao, Adler was asked to request Minister of Finance to expedite immediate release of 2 billion dollars no-rate CNC<sup>35</sup> for deposit Navy Disbursing Officer's account with Central Bank, Tsingtao. Need for these funds stated as urgent.

In an interview with Minister of Finance yesterday I transmitted this request and the Minister replied that in accordance with a recent informal decision by Ministry officials and T. V. Soong, no more no-rate CNC will be made available to US forces and that hereafter CNC will be released to US forces only upon payment by them to the Central Bank of US dollars at the official bank rate of exchange.

This decision was apparently made only a few days ago and the Minister stated he had just turned down a recent army request for 5 billion no-rate CNC and had so informed General Gillem<sup>36</sup> through General Maddocks by letter. I have not yet been able to check this with army but will do so when I return to Shanghai tomorrow.

The Minister gave as reasons for this decision (a) the difficult financial position of the Government of which he knew the US Treasury must be fully aware and (b) the fact that no settlement has been negotiated since January 1, 1945. I replied that although I was sure the US Treasury and Government are indeed fully cognizant of the National Government's difficult financial position, such a step might appear to have been taken rather abruptly and might cause the US armed forces in China considerable immediate inconvenience and embarrassment. To this he made no reply.

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<sup>34</sup> Lauren W. Casaday, Assistant Treasury Department representative in China.

<sup>35</sup> Chinese national currency advanced by China at no fixed rate of exchange for the use of United States military forces in that country.

<sup>36</sup> Commanding General, China Service Command.

The Minister stated that his Government had not communicated news of the changed policy directly to Washington and I indicated that I would do so at once.

I have informed Commander Stratton,<sup>37</sup> in reply to his request, of the Minister's action.

Repeated to Shanghai as 465. [Casaday.]

BUTTERWORTH

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102.1/7-2246 : Telegram

*The Consul General at Shanghai (Davis) to the Secretary of State*

SHANGHAI, July 22, 1946—3 p. m.

[Received July 22—8:40 a. m.]

1318. For Secretary of Treasury from Casaday: Refer telegram from AmEmbassy Nanking No. 1160, July 18, to SecState.

On returning to Shanghai, I discussed question of no-rate CNC advances with Tsu-yee Pei, Governor of Central Bank. Pei said he believed Minister of Finance erred in flatly refusing Navy's requested advance of 2 billion CNC without prior deposit of US dollars. He said Navy's [*Army's*] recent request for advance of 5 billion CNC was not flatly refused as I had understood Minister to say. The Army advance was made subject, however, to the condition that all drawings on the advance after July 13, 1946, be currently reimbursed by sale of US dollars by the Central Bank at its prevailing rate. Questioned as to the meaning of the words "currently reimbursed", Pei indicated that reimbursement in dollars by the time the advance was approximately used up (presumably about end of July) would be satisfactory (so far as the present advance only is concerned) because he realized it would take some time to clear this matter with Washington and he did not want to see the US armed forces embarrassed for lack of funds.

Accordingly, Pei asked me to wire Commander Stratton that regardless of what the Minister may have told me, the Central Bank is prepared to advance to the Navy enough CNC to meet its minimum requirements for the month of July on the assumption that this procedure will have been cleared in Washington by the time the advance has been spent. In order not to give the appearance that the Bank is going over the Minister's head on an identical application for advance, Pei suggested that I ask Stratton to request some other amount than exactly 2 billion and that he indicate that the amount requested represents the Navy's minimum requirements period it may be expected to take to clear the new procedure in Washington.

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<sup>37</sup> Roy O. Stratton, Supply Officer, United States Port Facilities, Tsingtao.



I have informed Stratton by wire that if he will put in a new request for advance, the Bank will have the amount placed to his credit in the Central Bank, Tsingtao, without delay.

Presumably, future advances will have to be reimbursed currently as drawn.

Sent Dept as Shanghai serial 1318, July 22, 3 p. m., repeated Nanking as 72. [Casaday.]

[DAVIS]

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102.1/7-2446 : Telegram

*The Consul General at Shanghai (Davis) to the Secretary of State*

SHANGHAI, July 24, 1946—2 p. m.

[Received July 24—8:15 a. m.]

1328. For Secretary of Treasury from Casaday: In connection with our discussion of the no-rate CNC problem (see Nanking's 1160, July 18 and Shanghai's 1318 of July 22) Governor Pei stressed the need of the Government at this time to use large sums in US dollar funds "to check inflation and support the Chinese currency". In a letter from the Minister of Finance to General Gillem, copy of which is being forwarded to you [by air,] this was given as the reason for requiring henceforth "current reimbursement" in US dollars for CNC released or advanced to the armed forces. Pei stated to me in confidence that, barring a definite turn for the worse in the political and military situation, he can now for the first time begin to feel fairly optimistic about the possibility of controlling the inflationary spiral. He pointed out that the bank now has considerable foreign exchange resources with which to support the value of *Fapi* and that the acquisition of dollars presumably soon to be brought about by the new policy with regard to the US armed forces (see reference messages) will be of great additional help in this direction.

On the question of prices Pei stressed the extent to which the general price level is influenced by the price of rice and went on to say that, although the recent attempt of the Shanghai municipal government to reduce the local price of rice from CNC 71,000 per picul to CNC dollars 46,000 per picul was admittedly a failure, the outlook for price reduction and stabilization is by no means discouraging. He stated that rice is now flowing into Shanghai from Szechuan at the rate of 10,000 piculs per day which is approximately the daily consumption of rice in the Shanghai area. In addition, 5,000 to 10,000 tons of rice are expected shortly from Brazil. Continuing imports from this and other sources are anticipated between now and the advent of the Chinese harvest even if present prices should be reduced

considerably. Pei stated that the great majority of the rice now coming into Shanghai both from the interior and from abroad is coming into Government possession and so is potentially subject to control. The Shanghai price of rice fell from CNC dollars 71,000 or higher to CNC dollars 46,000 per picul for only a day or two as a result of the municipal government's abortive attempt at control. When the effort was abandoned the price rose to CNC dollars 68,000 to CNC dollars 70,000 but since then has receded steadily, the latest quotations being in the neighborhood of CNC dollars 60,000 per picul.

Governor Pei seems confident that this gradually downward tendency in the price of rice (and an assumption, other prices as well) can be maintained. With the coming of the new harvest in the Autumn there is, he feels, a reasonably fair chance that the price of rice can be held indefinitely to a level approximating CNC dollars 30,000 to CNC dollars 40,000. If this could be done price and currency stabilization would be definitely within sight, he said.

Repeated Nanking as 730. [Casaday.]

[DAVIS]

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893.51/7-2646 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, July 26, 1946—10 a. m.

[Received July 26—9 : 42 a. m.]

1204. For transmission to Eximbank, [Treasury] and Commerce. Following is text of self-explanatory letter dated Nanking July 19, 1946 addressed to American Embassy and signed on behalf of the Minister of Foreign Affairs by the Vice Minister Mr. Liu Chieh.

"I have the honor to inform you that the Executive Yuan, on behalf of the Govt of the Republic of China, has approved the borrowing of \$2,600,000 from the Eximbank of Washington, D. C. for the purchase of 16 ships, namely, *Wichita Falls*, *City of Philadelphia*, *City of Houston*, *Ozark*, *Chippewa*, *Norlago*, *West Texas*, *International*, *Colorado*, *Point San Pedro*, *Carib Queen*, *Norindies*, *San Antonio*, *Fort Worth*, *Grey Lag* and *Alamo* upon terms providing for payment of principal in 20 semiannual installments beginning October 1, 1951 with interest at 3½ percent per annum payable semiannually. The Executive Yuan has authorized Dr. S. C. Wang, chairman of the Chinese Supply Commission in Washington, to execute on behalf of the Govt a credit agreement containing such other terms and conditions as may be required by the Export-Import Bank, and to execute and sign promissory notes evidencing advances against such credit. The Executive Yuan has further authorized Dr. S. C. Wang or such person or persons as he may designate in writing to do any and all other acts in connection with effecting the loan and carrying out the agreement.

In consequence of the foregoing action by the Executive Yuan, the agreement and all acts performed pursuant thereto by the above designated representative will be valid and binding on the Government of the Republic of China.

It will be appreciated if you will be so good as to cause the foregoing information to be transmitted by telegraph to the appropriate authorities in Washington."

STUART

893.51/7-2646 : Telegram

*The Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, July 26, 1946—6 p. m.

518. For General Marshall. Applications recently received Exim-bank from Wang of Chinese Supply Commission for credits totalling \$31 million as follows: \$16,750,000 to complete modern port at Tangku; \$5 million restore and modernize Takao refinery Formosa; \$6,750,000 rehabilitate coal mines Fuhsin and Peipiao in Jehol; and \$2,500,000 rehabilitate three cement plants Formosa. Wang states he is acting pursuant instructions his Govt. Bank strongly disposed inform Wang applications cannot be considered pending clarification political situation China. However, Dept and Bank desire your advice before replying Wang. Takao refinery application of course raises basic economic policy issues ref Emtel 1137, July 14<sup>38</sup> and Deptel 484, July 19.<sup>39</sup>

BYRNES

893.51/7-3146 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, July 31, 1946—6 p. m.

[Received August 1—2: 50 a. m.]

1235. From General Marshall. I agree with Exim Bank view that applications for credits listed in Department's telegram 518, July 26, should not be considered pending clarification political situation China. Present situation does not warrant reversal of decision to defer definite commitment on 500 million dollar credit (Department's telegram 643, April 13) against which the individual items listed in Department's telegram 518 presumably would be charged, unless it be for reconstruction or repair of communications which are so urgently needed.

<sup>38</sup> *Post*, p. 1377.

<sup>39</sup> *Post*, p. 1380.



Regarding loans for rehabilitation of industrial and mining properties, I endorse views expressed in Department's telegram 484, July 19,<sup>40</sup> section III, that United States public funds are not designed (a) to replace or substitute for private capital where available and willing participate on reasonable terms, or (b) to finance projects purpose or result of which is acquisition or displacement of existing and economically feasible private enterprises.

In this connection, as reported in Embassy's telegram 1137, July 14,<sup>41</sup> and in Shanghai Consulate's telegram 751 [1353], July 27,<sup>42</sup> American oil companies have indicated willingness to invest in Takao refinery but have been informed foreign participation not necessary or desired except for certain technical assistance and assured supplies crude oil.

Embassy wishes stress importance basic economic policies involved and endorses in general conditions for financial assistance to China approved by NAC meeting No. 8, January 15, 1946.<sup>43</sup> [Marshall.]

STUART

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893.5151/8-1746 : Telegram

*The Consul General at Shanghai (Davis) to the Secretary of State*

SHANGHAI, August 17, 1946—3 p. m.

[Received August 17—4:30 a. m.]

1502. Eyes alone John Carter Vincent. From Adler to Secretary of Treasury. Arrived Shanghai 16th. Governor Pei telephoned me from Nanking asking me to await his return Shanghai. Saw him this morning when he informed me that T. V. Soong and he had obtained Generalissimo's consent to adjustment of exchange rate and abolition of export duties to go into effect Monday morning 10 a. m. Shanghai time. Announcement will be made to press late Sunday night. He said the adjustment would probably be to between 3250 and 3350 CN to the U. S. dollar and asked to inform you earliest possible.<sup>44</sup>

Sent Department 1502; repeated Nanking as 849. [Adler.]

DAVIS

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<sup>40</sup> *Post*, p. 1380.

<sup>41</sup> *Post*, p. 1377.

<sup>42</sup> *Post*, p. 1381.

<sup>43</sup> See telegram No. 103, January 17, 7 p. m., to the Embassy in China, p. 920.

<sup>44</sup> Exchange rate was established at 3350 CN to one U. S. dollar.

893.51/8-1846 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, August 18, 1946—11 a. m.

[Received August 18—5:27 a. m.]

1331. Following is text of self-explanatory letter to Embassy from Dr. Liu Chieh, Vice Minister for Foreign Affairs. Please transmit to Export-Import Bank and inform Treasury and Commerce:

"I have the honor to inform you that the Executive Yuan on behalf of the Government of the Republic of China, has approved the borrowing of \$1,500,000 from the Export-Import Bank of Washington, D. C., for purchase and exportation to China of equipment, materials and supplies to be used in the coal mining industry of China, upon terms providing for payment of principal in 30 approximately equal semi-annual installments, beginning October 1, 1951, with interest at 3% per annum payable semi-annually. The Executive Yuan has authorized Dr. S. C. Wang, Chairman of the Chinese Supply Commission in Washington to execute on behalf of the Government a credit agreement containing such other terms and conditions as may be required by the Export-Import Bank, and to execute and sign promissory notes evidencing advances against such credit. The Executive Yuan has further authorized Dr. S. C. Wang, or such person or persons as he may designate in writing, to do any and all other facts in connection with effecting the loan and carrying out the agreement.

In consequence of the foregoing action by the Executive Yuan, the agreement and all acts performed pursuant thereto by the above designated representative will be valid and binding on the Government of the Republic of China.

It will be appreciated if you will be so good as to cause the foregoing information to be transmitted by telegraph to the appropriate authorities in Washington."

STUART

893.5151/8-2146 : Telegram

*The Consul General at Shanghai (Davis) to the Secretary of State*

SHANGHAI, August 21, 1946—1 p. m.

[Received August 21—8:05 a. m.]

1539. From Adler and Casaday to Secretary of Treasury.

1. Response of leading American and Chinese bankers to adjustment of exchange rate neutral on whole. Adjustment had been anticipated for some time. Bankers feel that pegged rate has been and remains undesirable and that it would be better for Central Bank to follow open market with sales of gold to check undue short term and speculative fluctuations. Pei, however, in conversation this morning insisted that such policy would be most dangerous in present inflationary situation,

and in highly sensitive Shanghai market, particularly as Central Bank would be vulnerable to criticism that it was engaged in speculation.

2. While banks report immediate fillip to exports, general consensus is that adjustment is insufficient to bring about any real improvement in export situation, especially as rise in leading prices in Shanghai in last 24 hours has been only slightly less than adjustment in exchange rate. However, Government is counting on its ability to pour sufficient rice into market and prevent its excessive hoarding to keep domestic prices in hand. Pei insisted that depreciation below present level would have been too risky, pointing out that even the adjustment made has resulted in disorganization of markets which he hopes will be ironed out by end of week. He said that Central Bank could maintain present rate, and that his instructions from the Generalissimo were to hold the line until November when a definite clarification of overall situation could be expected.

3. Adjustment in exchange rate appears to have been inspired by political as much as economic motives in answer to criticisms of Government.

4. Pei stated that Central Bank sold 46,000 ounces of gold on Monday to support the market. Central Bank tactic for the moment appears to be to sell sufficient gold to narrow [spread?] between its rate for US dollars and open market rate for US currency.

5. Closing quotations on Tuesday, August 20, were: gold CNC \$218. 5,000 per oz buying and CNC \$219. 5,000 per oz selling and US currency CNC \$3,400 per US dollar buying and CNC \$3,440 selling.

Repeated Nanking as 879. [Adler and Casaday.]

DAVIS

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893.51/8-2146

*Memorandum of Conversation, by the Director of the Office of  
Financial and Development Policy (Ness)*

[WASHINGTON,] August 21, 1946.

Participants: Dr. Wang Shou-Chin, Chinese Purchasing Mission  
Messrs. Clayton and Ness, Department of State

Dr. Wang, of the Chinese Purchasing Mission, called by appointment on August 21 to discuss with Mr. Clayton and Mr. Ness some general problems involved in China's economic rehabilitation and reconstruction.

Dr. Wang first outlined, as follows, the resources upon which China has counted for its rehabilitation and reconstruction: (1) UNRRA assistance, (2) surplus property, in which he included lend-lease and ships-sales acquisitions, (3) reparations, (4) credit, largely in the United States, and (5) the use of its own monetary resources.



Dr. Wang expressed judgments concerning each of these categories. All such judgments tended to the conclusion that China's earlier hopes were due for partial disappointment. With respect to UNRRA, for example, he said that while as good a job as might have been expected had been done, it was only in food and cotton deliveries that the program could be said to have been successful. Mr. Clayton observed that the amount budgeted for China exceeded that of any other country, to which Dr. Wang's reply was that apart from the two classes mentioned above the goods which had been provided for China could have been better selected if attention had been given to the particular circumstances of the Chinese economy.

Dr. Wang considered next the surplus property program, expressing the judgment that on the whole it could be described as a truck-supply program. He observed that while trucks were necessary, the amount of money involved could have been spent with far greater effect on railway rehabilitation. He pointed to two aspects of the matter: (1) China had under this program of supply incurred certain obligations, which might weigh heavily upon it in the future; and (2) in appraising over-all financial assistance to China, regard should be had for the fact that the goods secured were in one sense "tied" and that a greater contribution to China's wellbeing could have been accomplished if an equal amount of funds had been available for the free choice of the Chinese. (It may be observed that Dr. Wang was acquainted with the fact that the NAC, in passing recently upon Maritime Commission ship sales, had attached particular provisions to the Chinese item.)

Dr. Wang expressed the opinion that the amount of reparations received from Japan would be disappointing. He pointed to Chinese devastation in the hands of the Japanese, and expressed concern that in the end Japan would be left in a better position than China itself. To this, Mr. Clayton observed that the United States Government has a special responsibility in Japan, and that unless regard be had for a minimum of working economy in that country either of two consequences will ensue: (1) millions of Japanese will starve or (2) this Government will have to continue its present costly support of the Japanese. He added that in his opinion any reparations which could be paid by Japan should go to China.

Finally, Dr. Wang reported that it had been necessary for the Chinese to draw upon their own monetary resources to a considerable extent, particularly because the credit facilities upon which reliance had been placed had not in fact been forthcoming. He mentioned that \$60 million credit had been obtained in Canada, but went on to report more particularly upon his experience with the Eximbank.

In speaking of this Export-Import Bank experience, Dr. Wang drew a distinction between two types of credit. The first comprehended the four credits granted to China this last February in the aggregate amount of \$33 million. These, he asserted, had not yet been made available to the Chinese, although contract negotiations had been completed for two of them. He objected to the length of time involved, urging in this as in the whole of his conversation that time is crucial in the Chinese case. At Mr. Clayton's suggestion, Mr. Ness undertook to make an appointment with Dr. Wang to consider this delay.

Dr. Wang then turned to the \$500 million "commitment in principal" of last April. He was highly critical of the requirement that use of this credit be restricted to specific projects approved by the Bank, arguing that in the process of making an application so much time was lost in securing satisfaction on the two sides that there seemed no prospect of utilizing more than a small fraction of the whole credit within the period for which it was established. He said China would not wish to have a "blank check", but urged more tolerance on the part of the Bank in project description. Mr. Clayton pointed out, however, that this practice was quite consistent with the Bank's ordinary policy, and that it should not prove onerous inasmuch as the borrowing government would in any case have to have plans and specifications before it could hope to go on with any given project. Dr. Wang then pointed out that he had been turned down on four consecutive applications, including one for a cement plant in Formosa and one for an oil refinery. He said that in each case specifications were available in the form of Japanese-prepared blue prints, but that the projects had been turned down nonetheless. Mr. Clayton indicated his opinion that such a project as one for the rehabilitation and reconstruction of a cement plant would seem to him unobjectionable, and asked Mr. Ness to inquire further into the matter before meeting with Mr. Wang at the conference to which reference has been made above.

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893.51/8-3046 : Airgram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, August 30, 1946.

[Received September 25—11:39 a. m.]

A-90. General Marshall has authorized the Embassy to make the following comments on the Department's A-131 of July 12, 1946 which was addressed to him :

*Paragraphs A and B*

Suggest the need for engineering and managerial services regarding particular projects in order to utilize effectively the expected large volume of imported equipment and materials for the rehabilitation and expansion of the Chinese economy.

*Comments*

While there are many capable engineers and managers in China, unquestionably the demands caused by taking over the operation of the Chinese and former Japanese installations in East and North China has already created a shortage of these types of skills. At present, due to the low level of production in most industries, this shortage is spotty. Demands which may arise from increased production, from the needs of Manchurian industry, and from any imported plants or equipment, particularly under the envisaged large-scale Japanese reparations program, will severely intensify and generalize this shortage.

The Chinese clearly recognize this problem and, in my opinion, do expect to call increasingly on foreign (mostly American) engineers to make up this deficiency in large measure. It is my belief that the Chinese, conscious as they are of this problem, would accept as reasonable, requirements that adequate engineering and managerial services be retained and utilized as a condition of any loans that might be made. Our interest in this would also be understood and accepted as good business. An illustration of this will be found in the surplus property agreement <sup>45</sup> which requires such American technical assistance.

At the same time the proposal for increased technical assistance deserves the closest consideration from the standpoint of its effect upon investment opportunities for private American capital in China, especially when considered in relation to the Export-Import Bank lending program. If China can borrow from the Export-Import Bank and hire necessary technicians from American engineering or industrial consultant organizations, the opportunities for established American manufacturers to set up plants in China or sell in this market may be adversely affected. For example, the Chinese have turned down the request of American oil companies to participate in the rehabilitation and operation of the Takao (Formosa) refinery. They have, however, hired American engineers to provide the "know-how" and applied for an Export-Import Bank loan.

While it is true, therefore, that Export-Import Bank loans in China should be closely supervised, there is a positive danger that an

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<sup>45</sup> Signed at Shanghai, August 30, 1946, Department of State Publication No. 2655, *Report to Congress on Foreign Surplus Disposal*, October 1946, p. 40.



extended program for technical assistance, plus public loans, might adversely affect the rights of broader segments of American private enterprise and thus be inconsistent with the avowed policies of our Government in support of private enterprise.

*Paragraph C*

Suggests the need for foreign and Chinese personnel to be hired by the Chinese Government to advise on basic economic planning policy :

1. On a continuing basis
2. Associated in a small group under foreign chairman or moderator and reporting to the President of China or his appointee
3. Group to be composed of regular members having no other jobs and panel members nominated and called upon by the group for particular jobs.

*Comment*

The Department's suggestion is apparently for a full-time advisory committee, the members of which would work not with the various ministries but as a separate group relying for accomplishment on reports transmitted through a chairman to the President of China which would influence his executive decisions. This places the group in the difficult position of a super staff agency divorced from the administrative agencies which have the responsibility for recommendations and action and competing with them instead of working through them in making recommendations.

The only condition under which this could work, it seems to me, would be if the Generalissimo was sincerely convinced of the need for such a group and personally took the initiative to have it formed. It would have to be a highly personalized relationship to be successful.

A basic difficulty is that there is no effective Chinese Government administrative or staff counterpart for the group proposed. The Central Planning Board, reporting to the Supreme National Defense Council and working under the nominal chairmanship of the Generalissimo, is the only counterpart now existing in the Government. This Board, in the opinion of various officials in the ministries who are in a position to know, has been ineffective as a national planning agency and at best has only served to prompt the various ministries and commissions to study their own planning problems. China still seems to make her planning decisions by personal fiat, and the effectiveness of any super-board of advisers must depend on personal relationships.

If the Generalissimo is not sincerely convinced of the need and does not personally act to fill it, it is not clear how the United States can prompt the formation of such a group, even if it was deemed advisable to do so. The suggestion does not propose that we provide

funds to pay advisers, and the only other method would seem to be to make the formation of the group a condition of some general understanding on aid to China. Even if this were done, the group would, in my opinion, be ineffective unless the Generalissimo wanted to use it.

It is my observation that the Chinese distinguish in their own minds between economic and political decisions on the one hand, and engineering and technical organizational decisions on the other. The first they feel capable of handling themselves; the second they feel they need a great deal of help from foreign advisers to handle effectively. Furthermore, they have been naturally hesitant in giving foreigners access to complete information regarding decisions of high economic policy in process, except in a few cases where there has been a very close personal relationship between the individual in power and his personal foreign adviser. The American Production Mission<sup>46</sup> was most successful on the technical and organizational level and least successful on the level of influencing broad policy.

To my knowledge there is no evidence to support the idea that such an advisory group on high economic policy would be considered favorably, and my own opinion is that the only advice of this kind that would be welcome just now is from personal advisers invited personally by those currently holding the power of decision. Furthermore, I believe that our interest in promoting such an arrangement might, unless handled with extreme care, be construed by the Chinese as resulting from a desire to gain a trade advantage rather than solely to aid in the sound development of the Chinese economy.

The large share of industrial equipment which will accrue to China from Japanese reparations to China will constitute an enormous problem. It was apparent in the discussions during Ambassador Pauley's<sup>47</sup> visit that the Chinese had not faced up to its magnitude. I sense that in due course this problem will present us with an opportunity to afford assistance, but it should be rendered without offending Chinese sensitivities or curtailing their sense of responsibility for that which in the end must be solely theirs—for better or for worse. In such an endeavor, the part that could be played by the Economic and Social Council of the UNO<sup>48</sup> should be carefully considered.

The need is to establish a joint approach with agreed upon commitments by both parties and determined objectives. A good test case with respect to the questions in point is provided by the recently constituted Mission for Agricultural Collaboration<sup>49</sup> now actively

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<sup>46</sup> See *Foreign Relations*, 1944, vol. VI, p. 247 ff.

<sup>47</sup> Edwin W. Pauley, personal representative of President Truman on reparations.

<sup>48</sup> United Nations Organization.

<sup>49</sup> For correspondence on this subject, see pp. 1268 ff.

at work in China on both technical and policy making levels. It should shortly be possible to see how effective, under present conditions, such a Mission can be (1) in making policy recommendations and (2) in getting these recommendations translated into action.

STUART

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893.51/9-546

*The Chairman of the United States Maritime Commission (Smith) to the Under Secretary of State for Economic Affairs (Clayton)*

WASHINGTON, September 5, 1946.

MY DEAR MR. SECRETARY: On May 27, 1946 the National Government of the Republic of China filed an application with the Maritime Commission for the purchase of 159 war-built vessels of various types under the provisions of the Merchant Ship Sales Act of 1946. This application represents the proposed extension of credit by the United States to China of approximately \$76,000,000 over a period covering the life of the vessels to be sold, involving in no case a credit extension beyond a limit of twenty years.

As a matter of policy, the question of extending credit to the National Government of the Republic of China has been referred by the Maritime Commission to the National Advisory Council for advice and guidance. In a recent communication received from the National Advisory Council the Commission has been advised that, "The Council has no objection to the extension of the credit to the Government of China providing that the Department of State's approval has first been obtained."

It would be appreciated if the Department of State would advise the Maritime Commission of its views with respect to the extension by the Maritime Commission of the amount of credit requested by the National Government of the Republic of China to cover the purchase of the war-built vessels applied for. Inasmuch as the application of the Chinese Government is now under consideration, the Commission would appreciate being advised of the Department of State's determination in this matter as speedily as possible.

Sincerely yours,

W. W. SMITH

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893.5151/9-1046 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, September 10, 1946—9 a. m.

[Received September 11—4: 10 p. m.]

1445. For Secretary [of the] Treasury from Adler. In addition Central Bank provided United States dollars 25 million for Govern-



ment purchases abroad and made net sales of United States dollars 20 million of gold (i. e. New York price). Thus Central Bank's losses of foreign exchange and gold in 5½ months between exchange adjustments totalled \$155,000,000.

2. It should be noted that :

*a.* Central Bank's net sales of foreign exchange do not of course represent China's total unfavorable balance of payments for this period, [and ?] do not include use of Chinese private free and blocked assets abroad for purchase of imports unauthorized by Central Bank or flight of capital.

*b.* Rate at which gold and foreign exchange assets were depleted increased from about \$15,000,000 in March to \$40,000,000 [apparent omission] in July-August.

*c.* While Chinese private holdings of gold do not represent a net long-term loss of foreign exchange to China, they do constitute a short-term loss, as Central Bank recovery of gold from private holders is liable to be a laborious and tedious process.

3. Government's foreign exchange policy is open to criticisms that :

*a.* Central Bank should not have waited till March to announce a United States dollar rate.

*b.* 2020 rate instituted in March grossly overvalued China National dollars.

*c.* It should never have been pegged or maintained for so long.

*d.* Readjustment when made was too small.

*e.* Authorities slow in prohibiting imports of non-essentials and luxuries.

At same time administrative machinery of exchange control has worked much better than anticipated even though there are inevitable leaks through absence of effective control over Chinese private funds abroad, over-valuation of imports and under-valuation of exports, etc.

4. Sale of Pacific surplus property to China and increase in UNRRA shipments will of course provide some relief to China's balance of payments position. At same time :

*a.* Government wishes to spend over United States dollars 50 million abroad in second half of 1946 for its military program.

*b.* Exchange adjustment of August 19 obviously insufficient by itself to bring about desired curtailment of commercial imports and expansion of exports. Moreover disruption of internal communications hampers flow of exports from interior and increases dependence on foreign raw materials such as cotton and tobacco.

*c.* Evasion and flight of capital through smuggling, diversion of overseas remittances to Hong Kong, etc., will continue.

5. Central Bank loss of foreign exchange and gold for period under review is at annual rate of \$330,000,000. Seriousness of China's balance payments position needs no emphasis. For the earlier China

depletes its official foreign exchange assets the earlier it is likely to appeal to the United States Treasury and International Monetary Fund, or both, to bail it out. China's depletion of its foreign exchange assets typical of its whole financial and economic policy. She is using up non-recurring items such as large foreign exchange balances, enemy property and surplus property acquisitions and decumulating [*sic*] capital largely to support threadbare war economy and only partly to cushion transition to peace and to prepare for overall fiscal and monetary stabilization. Result is to defer essential economic readjustments, which will be all the more painful and drastic when they are eventually made. This policy is to be explained in terms of exigencies of war and, no doubt, of expectations on part of China of further substantial financial aid from abroad—i. e. the United States—when necessary. Review of exchange operations for period from March 4 to August 17 during which Central Bank maintained 2020 rate for United States dollars reveals on basis of data supplied by Government that Central Bank had a deficit of exchange sales of United States dollars 103.9 million and of sterling 1,350,000 in sterling area currencies. [Adler.]

STUART

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893.51/9-1646 : Telegram

*The Acting Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, September 16, 1946—8 p. m.

758. For General Marshall. Dr. Wang, Chairman Chinese Supply Comm[ission], recently approached Dept urging arrangement under which Eximbank would carry out discussions Chinese representatives re specific projects for which credits are or may be desired.

Following Deptel 518, July 26, and Urtel 1235, July 31, Eximbank informed Wang consideration could not now be given projects referred to therein. Wang suggested Chinese be allowed present supporting data, including written and oral statements [of] consulting eng[inee]rs who examined projects, and discuss problems with Bank on technical level. He further urged Board of Directors then pass on projects, deferring signature [of] loan contract until political situation is clarified. His argument for both suggestions is that procedure would save substantial time ordinarily consumed negotiation such credits.

Dept representative informed Wang suggestions would be considered, but indicated grave doubts whether Bank would agree to more than discussions at working level; Bank's board could not appropriately take action even though deferring signature. No indication was or could appropriately have been given re Bank's willingness to sanction working level discussions only.

Although recognizing that working level discussions would expedite later clearance of credits for particular projects, Dept believes that conduct of these discussions at this time would imply commitments possibly prejudicial to your efforts and inconsistent with the views expressed by you in Urtel 1235 of July 31. Request your comment on the Dept's view outlined above.

CLAYTON

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893.51/9-2146 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, September 21, 1946—1 p. m.  
[Received September 25—1:42 p. m.]

1518. General Marshall has approved for transmission following message from him to Acting Secretary of State (1538) :

"Reference your 518<sup>50</sup> and my 1235<sup>51</sup> of July, I would not object to 'working level' discussion regarding material or technical assistance for the reconstruction or repair of rail communications because they are urgently needed as the basis for reconstituting a reasonable national economy. Otherwise, I concur in Department's views outlined in Urtel 758, September 16, 8 p. m."

STUART

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893.51/9-2346 : Telegram

*The Acting Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, September 23, 1946—2 p. m.

778. For General Marshall. S. C. Wang on Sept. 3, 1946 requested following credits from Eximbank pursuant instruction his Govt: \$4,500,000 for construction new Yellow River Bridge on Peiping-Hankow Railroad and \$42,654,000 for rehabilitation Hankow-Canton-Kowloon Railroad. Wang stated that Morrison-Knudsen<sup>52</sup> Consulting Group and Chinese Government give first priority to these, plus development Tangku Harbor, among necessary transportation projects; that Col. Tudor<sup>53</sup> and Chinese officials discussed these railroad projects with you and understand you concur in their necessity and urgency.

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<sup>50</sup> Telegram of July 26, p. 996.

<sup>51</sup> Telegram of July 31, p. 996.

<sup>52</sup> Morrison-Knudsen Company, Inc., an American firm engaged by the Chinese Government to survey the rehabilitation of Chinese transportation facilities.

<sup>53</sup> Col. Ralph A. Tudor, Chief Engineer of the Morrison-Knudsen Consulting Group.



Eximbank staff has told Wang these applications, as with previous requests, cannot be considered due present situation in China. Dept not disposed reopen question with Bank at this time, but requests your comment.

CLAYTON

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893.51/9-2646 : Telegram

*The Acting Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, September 26, 1946—noon.

794. For Adler from Treasury. War Dept has informed Treas that the China Service Command has on hand CNC 11¼ billion miscellaneous receipts. Theater requests permission to close dollar equivalent into Treas permitting use of yuan for current disbursement. Without consultation with Chinese your views requested on appropriate rate, and on possibility of objections of Chinese Govt to current use of yuan collected in past by Army mainly through sale of scrap and salvage. Theater also asks whether purchases of yuan currency may be made from banks other than Central Bank of China. Do you anticipate objection from Chinese Govt if authorization is given for purchases from appointed banks at official rate? [Snyder.]

CLAYTON

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893.51/9-2746 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, September 27, 1946—9 a. m.

[Received September 27—8:52 a. m.]

1548. General Marshall requests that following message be transmitted to Acting Secretary of State in reply to Deptel 778, September 23, 2 p. m.:

“There is an urgent economic need for rehabilitation of Hankow-Canton-Kowloon railroad which is not related to military activities. This project and the initial first year requirements for the Yellow River bridge project appeal to me strongly, and I do not think can well be confused with general restrictions on aid to Govt of China at this time.”

STUART

893.51/9-546

*The Under Secretary of State for Economic Affairs (Clayton) to the  
Chairman of the United States Maritime Commission (Smith)*

WASHINGTON, October 2, 1946.

DEAR ADMIRAL SMITH: I refer to your letter of September 5, 1946, asking the views of the State Department with respect to the extension by the Maritime Commission of a credit to China of \$76 million for the purchase of 159 war-built vessels under the Merchant Ship Sales Act of 1946.

The Department of State has no objection to the negotiation and conclusion of a credit for the above purpose. Such an arrangement would be in line with the general policy of this Government to assist in the rehabilitation of essential aspects of the Chinese economy. In accordance with general policy toward credit assistance to China, however, the Department requests that any transfer of war-built commercial type vessels to China on a credit basis be subject to the following proviso:

"It is the desire of the United States Government that these commercial type vessels be destined for a united and democratic China under a coalition Government. It is, therefore, understood by the Chinese Government that, if it appears to be in the best interests of the United States, the latter may discontinue the transfer of these vessels."

The Department of State will promptly inform the Maritime Commission if at any time it appears to be in the best interests of the United States to terminate or suspend such transfers, and requests that it be kept currently informed of the status of transfers of ships being purchased. The Department is also interested in developments concerning the terms of such credit arrangement as may be negotiated with China.

Sincerely yours,

WILLIAM L. CLAYTON

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893.5151/10-446 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 4, 1946—9 a. m.

[Received 8:30 p. m.]

1588. From Adler for Secretary of Treasury. Left for Shanghai September 28. Returned October 2.

1. In long talk with me on September 30 Pei expressed his profound concern over exchange and financial situation. See also Embtel 1445 of September 10. Central Bank in last 7 months has provided market with US dollars 159 million net of exchange cover and the Govern-

ment with US dollars 41 million to finance its purchases and expenditures abroad. In addition it has sold well over 1 million ounces of gold, so that its net loss of foreign exchange and gold since beginning of March is close to US dollars 250 million. Since adjustment in exchange rate on August 19 Central Bank has lost US dollars 50 million in provision of exchange cover to market, US dollars 16 million in exchange granted to government agencies, and over US dollars 20 million in sale of gold to public. Pei confessed that rate of deterioration rapid and that basic lack of confidence in Chinese currency cannot be remedied in existing fiscal situation, which is of course immediately dependent on military-political situation.

2. Sterling, which until mid-September was being traded in at cross-rate of 3.50 to 3.60, is now approximately at par with US dollar. There were rumors in Shanghai market that British were going to appreciate sterling before meeting of Board of Governors of International Monetary Fund, but Pei believes main factor in improvement of sterling in Shanghai market is speculator's flight into foreign currencies, including sterling. [Adler.]

STUART

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893.5151/10-446 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 4, 1946—10 a. m.

[Received 4:40 p. m.]

1589. From Adler for Secretary of Treasury.

1. In conversation of September 30 reported in Embtel 1588 of October 4 Pei also discussed marked local open market appreciation of US currency after September 19. In addition to long-term weakness of Chinese currency, other causes for appreciation of US currency were:

(a) Speculative rumors in connection with impending closing up of foreign currency accounts on September 30 and with forthcoming meeting of Board of Governors of International Monetary Fund, which gave rise to unfounded expectation that China would have to declare initial par value of its currency.

(b) Central Bank's none too successful attempts to tighten up on the granting of exchange cover for imports.

(c) Decline in new supplies of US currency coming into China, though Pei informs me that considerable amounts of US currency continue to be smuggled into China.

2. T. V. Soong and Pei were alarmed when open market rate for US currency went over 4,000 as Shanghai prices continue to be sensitive to fluctuations in quotations for foreign currency. Pei was most



reluctant for Central Bank to go into open market, as he felt that its intervention in support of CN could not be kept secret and that once knowledge got around speculative demand would force Central Bank to sell large amounts of US currency. Nevertheless Central Bank has anonymously been supporting market at rate of about 4 lakhs of US currency a day for the last week or so.

3. In this connection Pei informed me that he obtained about 300,000 of US currency from the Navy and that he has asked it for another 3 million. This request the Navy has transmitted to Washington for approval. He would appreciate it if the Treasury would support this Central Bank request.

4. Finally Pei indicated that Chinese financial authorities are studying the problems arising from the circulation of US currency in China, which is being used as a unit and store of value to an increasing extent, particularly in Shanghai. He feels that such questions as the existence of a discount on notes of large denominations and on so-called soiled notes cannot be tackled piecemeal but is not sure that the time yet ripe for grappling with problem as a whole. [Adler.]

STUART

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893.5151/10-446 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 4, 1946—4 p. m.

[Received October 5—11:50 a. m.]

1595. From Adler to Secretary of the Treasury. Eyes alone Vincent and at Butterworth's<sup>54</sup> request Clayton.

1. Had three conversations with T. V. Soong on October 3 in which he reviewed China's foreign exchange situation. (See also Embtels 1588 and 1589 of October 4)

In first conversation he emphasized gravity of China's unfavorable balance of payments position, saying China could not afford to have a deficit of more than US dollars 100 million per year. He said "the last few months have been hell" for him, as he had been under pressure not on one but on all economic fronts. The real chances for economic improvement were tied up with the political situation, and he was still desperately hoping against hope for a peaceful settlement of China's internal problems.

2. In second conversation 2 hours later, at which his top financial advisers were present, he reviewed a scheme they had prepared for a drastic import licensing system with quotas for main items of import, the division of the quotas to be decided upon by importers acting as

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<sup>54</sup> W. Walton Butterworth, Jr., Minister-Counselor of Embassy in China.

a group. He admitted that introduction of this plan would have grave impact on prices, and yet he felt that if the pressure on China's foreign exchange assets continued there might be no alternative. He asked me for my informal reaction, upon which I pointed out that the plan was drastic and that while there was no doubt as to the urgency and acuteness of China's foreign exchange problem it was desirable not to compromise China's position with respect to forthcoming international trade conference. Soong admitted scheme if introduced would come at most inopportune time. He discussed with his advisers possibility of coupling scheme with further adjustment of exchange rates as they felt that doing so would still further push up prices and they seemed to favor as a preferable alternative coupling it with imposition of new import duties—possibly in guise of an emergency excess profit tax—which however would also operate as a stimulus to rising prices. Pei also mentioned that it might be necessary to prohibit circulation of US currency and its entry into and withdrawal from China. Soong concluded that he and Pei were going to see the Generalissimo in the afternoon, and he would let me know the result of the interview later.

3. At 5 p. m. Soong informed me that they had decided not to introduce the scheme at this stage. Pei felt that the immediate pressure on the Central Bank had slackened off somewhat. Nevertheless the situation was such that they had to be prepared to adopt stringent measures at short notice, and if there were further runs on Central Bank's foreign exchange position in near future they might have to go through with plan for import licensing system. Soong therefore asked me to inform you most confidentially that he is "contemplating the introduction of a strict import licensing system as a temporary emergency measure." [Adler.]

STUART

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893.51/10-446 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 4, 1946—5 p. m.

[Received October 5—6: 15 a. m.]

1596. From Adler to Secretary of Treasury.

1. Amount held on deposit by China Service Command in miscellaneous credits  $1\frac{1}{4}$  billion CN dollars according to Colonel Webber (reference your telegram 794 of September 26). I see little possibility of objection by Chinese Government to Army's using this sum for current disbursements. Simplest procedure for closing dollar equivalent would be to use current Central Bank rate for US dollars.

2. I anticipate no objections from Chinese Government to theater's purchasing Yuan currency from American appointed banks, as appointed banks have to report their purchases of foreign exchange to Central Bank. [Adler.]

STUART

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893.5151/10-546 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 5, 1946—2 p. m.

[Received October 6—1:45 a. m.]

1602. From Adler to Secretary of Treasury. Late on evening of October 4, T. V. Soong sent for me and showed me a message he had just received from Pei (re paragraph 3 Embtel 1589 of October 4) which reported that:

a. Shanghai open market for US currency had suddenly become nervous again on afternoon of October 3.

b. Navy had informed Pei that his request from Navy for 3 million US currency in new 20 dollar notes had been turned down in Washington.

Pei's cable concluded with urgent appeal to Soong for aid in getting request approved so that Central Bank could acquire \$300,000 in new 20 dollar bills from Navy in Shanghai immediately and the balance by air. Soong emphasized urgency of request to me, adding that Chinese authorities had done everything possible to cooperate with Navy. He would greatly appreciate Treasury's supporting Central Bank request.

2. Fact that Central Bank is intervening in Shanghai note market has probably leaked, which partially explains market's renewed weakness. [Adler.]

STUART

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Marshall Mission Files, Lot 54-D270

*The President of the Chinese Executive Yuan (Soong) to the American Ambassador in China (Stuart)*

[NANKING,] October 21, 1946.

DEAR AMBASSADOR STUART, For the past year since V-J Day and pending the full restoration of internal communications, it has not been possible appreciably to supply our textile manufacturing centers with raw cotton from China's producing areas. In view of the vital position of cotton textiles in our economy, we had to look abroad



for the importation of cotton. We are therefore most grateful for the 33 million U. S. dollars cotton credit extended earlier this year by your Government through the Export-Import Bank.

While the said credit has helped substantially to alleviate our needs, you will be interested to note that our total expenditure for imported cotton from all sources abroad, not including the UNRRA supply of 300,000 bales, for the period from March 4th to September 28th, 1946 approximated US \$70 million. With the recent favourable rice crop we anticipate that the resultant improvement in the purchasing capacity of our people will lead to an increased demand for cotton textiles.

In face of the increasing excess of demand over supply, my Government is making every effort to stimulate the production of both raw cotton and cotton textiles. We plan to increase the spindles in operation from 2,600,000 to an estimated 3,400,000 by the end of July 1947, which will incidentally provide more employment for the masses and help to stabilize social order. On the basis of the monthly production of 26 pounds of cotton per spindle, the annual consumption is estimated at about 2,000,000 bales plus three months' reserve of 600,000 bales, totalling 2,600,000 bales.

Against this estimated need we can only foresee the imported stock of 750,000 bales, plus an additional 200,000 bales of UNRRA cotton and the domestic production of 550,000 bales (with the last figure capable of increase but limited to this estimate by such disruptive factors as lack of communications). The total supply accountable at present would thus be 1,500,000 bales.

On this basis, the net import for the year ending July, 1947 would have to approximate 1,100,000 bales. According to prevailing prices, this would cost China about US \$220 million, which is far above China's present capacity to pay. It will be necessary for us to ask for more allocations from UNRRA but even if increased help is obtained from that agency the remaining deficit would still seriously disturb China's international balance of payment.

It is for this reason that we look to your Government for further aid in the form of a new cotton credit of US \$100-150 million from the Export-Import Bank. While such a credit would be similar to the 33 million credit in other respects we hope for a longer term for the liquidation of the credit. In view of the large sum involved, we will need a term of say five years in order to effect an orderly repayment program.

In this connection, I wish to cite our record in 1936 in maintaining production for approximately 4,000,000 spindles without the importation of cotton as a basis for our expectancy that the gradual stabilization of conditions in China will bring about a progressive reduction

in the need for imported cotton. Through the stimulation of domestic production in general and the encouragement of exports, my Government is confident that the liquidation of these credits will not unduly strain our finances at the end of five years when increasing equilibrium will have been attained in China's international balance of payment.

I would appreciate your kind cooperation in conveying the desires of my Government as outlined above to your authorities in Washington and would be prepared to implement our proposal and initiate appropriate negotiations if your Government should be so inclined.

Yours sincerely,

T. V. SOONG

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893.24/10-3046 : Telegram

*The Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, October 30, 1946—7 p. m.

963. Responsive to Article 7, paragraph *d* of Surplus Property Agreement of Aug 30,<sup>55</sup> matter of opening of negotiations in Washington for final Lend-Lease settlement is under consideration in Dept. At that time action somewhat along the following lines is contemplated:

1. Cancellation of

- a.* \$500,000,000 1942 political loan, and
- b.* Estimated \$1,500,000,000 military Lend-Lease assistance through June 30, 1946.

2. Funding of

- a.* Civilian Lend-Lease inventory in China as of V-J Day, estimated maximum \$20,000,000.
- b.* Surviving commercial type aircraft, estimated maximum \$10,000,000.
- c.* Air training program in US<sup>56</sup> for period Dec 1945 through June 1946 for which Chinese Govt is expected to attempt to evade responsibility, and
- d.* Outstanding claims of miscellaneous character which would tend to balance each other off.

3. Collection of \$5,000,000 advance deposit against services and supplies for Chinese occupation of Japan.<sup>57</sup>

4. Payment by China for services and supplies provided after June 30, 1946 for reoccupation program, maximum \$25,000,000.

5. Collection of costs of training programs being supplied under June 28 agreement, not exceeding \$15,000,000.

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<sup>55</sup> For correspondence on this subject, see pp. 1033 ff.

<sup>56</sup> For correspondence on this subject, see pp. 767 ff.

<sup>57</sup> For correspondence on this subject, see pp. 888 ff.

In our consideration of this matter we are cognizant of possible effect of negotiations on current discussions in Nanking. Negotiations would without doubt receive publicity of one kind or another and, although they would be concerned only with reaching agreement for settlement of past commitments and not with making any new commitments for aid to China, possibility of misrepresentation cannot be ignored. Press both here and in China which has been critical of our aid to National Govt could find in these negotiations further criticism and, on the other hand, press which supports the National Govt might readily expand significance of negotiations with psychological effect. It is desired that this matter be brought to attention General Marshall. Pending indication of his and Emb's views no notification will be made to Chinese Emb. However, economic officers concerned are anxious to enter settlement negotiations as soon as consistent with political picture and would wish to initiate discussions before end of year.

In above connection Dept has been withholding publicity on June 28 Lend-Lease agreement.<sup>58</sup> Next quarterly report to Congress due shortly and Emb's and General Marshall's clearance would be desirable prior to inclusion in report of info regarding above agreement.

BYRNES

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893.5151/11-146 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 31, 1946—11 a. m.  
[Received November 1—12: 45 a. m.]

1778. From Adler to Secretary of the Treasury.

1. In conversation with T. V. Soong on October 29, he reviewed China's exchange and financial situation with respect to Embassy's telegram 1595 of October 4. Soong said no action would be taken until after Rogers'<sup>59</sup> arrival early in November. (Rogers was formerly financial adviser to the Chinese Government and has been released by the Bank of England to become adviser to Central Bank.)

2. UNRRA, surplus property deal, Export-Import Bank credits and enemy property in China were of tremendous assistance, as would also be Japanese reparations, even though latter would be confined to capital goods and problem of furnishing working capital would be sizeable. I pointed out that [*the?*] fact that for a variety of reasons

<sup>58</sup> Signed at Washington, T.I.A.S. No. 1746, or 61 Stat. (pt. 4) 3895.

<sup>59</sup> Cyril Rogers.



large part of UNRRA China program would arrive in 1947 [and] should provide some relief to China's balance of payments problem next year. Soong agreed that this would be case which [*with?*] such goods as would replace commercial imports. He pointed out imperative need for China to increase her domestic cotton production in order to reduce present abnormal dependence on foreign cotton, and said that in spite of pressures on him he intended drastically to slash large requests for foreign exchange expenditures by Ministries of War and Communications in 1947. Soong cursorily mentioned International Monetary Fund and Bank, saying China was not yet in a position to obtain assistance from Fund and asking what countries had requested loans from Bank. He is apparently toying with idea of asking either or both institutions to send representatives to China.

3. Soong confessed that China's exchange problem insoluble without amelioration of domestic fiscal and price situation. He showed considerable interest in recent currency experience of enemy-occupied countries in Europe and of Japan, but agreed that their situation very different from that of China. I took opportunity to reiterate that there were no easy or trick solutions for China's financial and currency problems.

4. With respect to fiscal situation, he hoped that large scale fighting would cease fairly soon, in which case it might be possible to reduce the huge drain of military expenditures, though he was not too positive on this point. He hoped that Government receipts this year would be CN dollars  $2\frac{1}{2}$  trillion, with 1 trillion from taxation, etc., and  $1\frac{1}{2}$  trillion from such non-recurring items as sales of enemy and surplus property, gold, and foreign exchange of which sales of enemy property are expected to yield about 700 billion. It will be noted that this estimate of 1946 receipts presupposes a very substantial improvement in the last quarter over the first three quarters of this year. Soong discussed the possibility of improving China's tax system, again agreeing that crux of problem was establishing adequate enforcement and collection systems. When asked about estimated expenditures for 1947, he replied that he was trying to keep them within 7 trillion. Pressure from the various ministries was considerable but he was trying to hold the line. (Ministry of Communications has asked for 945 billion for railroads alone in 1947.) [Adler.]

STUART

Marshall Mission Files, Lot 54-D270

*Memorandum by General Marshall to the Minister-Counselor of  
Embassy in China (Butterworth)*

OSE 555

NANKING, November 5, 1946.

Dr. Stuart showed me a copy of the letter<sup>60</sup> which you referred to me and which is returned herewith. I told Dr. Stuart that I did not think that the U. S. would be favorably inclined to extend further credit for cotton at this time.<sup>61</sup> It was difficult to obtain even the 30 million credit at the first of this year. I told him that I would like to have Mr. Adler's comments before considering the matter further.

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893.24/11-646 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, November 6, 1946—10 a. m.

[Received November 6—5: 59 a. m.]

1817. Matter brought to attention of General Marshall (Reurtel 963 of October 30). He and Embassy in agreement that preferable to delay initiation of negotiations on final Lend-Lease settlement. While of course it is desirable to make settlement at favorable opportunity, political considerations mentioned in Urtel far outweigh in importance any advantages of prompt settlement. It is suggested that Department raise question of notifying Chinese Embassy regarding initiation of negotiations with General Marshall and Embassy after lapse of 1 month.

2. While publicity on June 28 Lend-Lease agreement not altogether welcome, difficult to see how its inclusion in next quarterly report to Congress can be avoided. General Marshall concurs.

STUART

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893.51/11-646 : Telegram

*The Acting Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, November 6, 1946—6 p. m.

1002. For Adler from Treasury. Navy has informed Treasury (Reourtel 794, Sept 26 and Yourtel 1596, Oct 4) that yuan may be purchased with Treasury check from Central Bank at 3330 and from Appointed Banks at 3350. Also that rate 3500 for US currency notes has been offered to Navy by Appointed Banks. Request your views

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<sup>60</sup> October 21, p. 1014.

<sup>61</sup> See minutes of meeting of November 4, p. 468.

on applicability of Central Bank Circular 59 or other regulation, restricting US currency, to purchases by Navy from Appointed Banks. Navy is being informed that there is no objection 3350 rate for Treasury checks. [Snyder.]

ACHESON

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Mr. Butterworth at No. 5 Ning Hai Road, Nanking, November 18, 1946, 10:45 a. m.*

Also present: Col. Caughey

General Marshall discussed with Mr. Butterworth the letter from Dr. T. V. Soong (attached)<sup>62</sup> and asked for Mr. Butterworth's reactions. Mr. Butterworth stated that Dr. Soong and Dr. Wong<sup>63</sup> were extremely concerned over the financial status of China and, in particular, the financial status of China with respect to other Asiatic countries. Mr. Butterworth stated that Dr. Wong was particularly worried about Russian propaganda and that he therefore wished the economic program outlined in the letter to be developed confidentially.

General Marshall then explained to Mr. Butterworth that in a previous conversation with Dr. Wong he had promised to suggest to the State Department the establishment of a confidential small group for the purpose of studying the reparations question which Dr. Wong had stated was unfair to China, and that he had also promised to send a statement (to be prepared by Mr. Bayne<sup>64</sup>) informally to General MacArthur<sup>65</sup> with respect to the handling of reparations in Japan.

General Marshall continued by stating that Dr. Soong's letter was greatly expanded over the matter which was previously discussed<sup>66</sup> with Dr. Wong that the economic program listed in the letter was very comprehensive, that it would be very expensive; and that support of such a program by the United States would be an extremely long-range project. General Marshall then asked Mr. Butterworth for his views as to what he should tell Dr. Wong when he saw him at 11 o'clock. In elaboration of this question to Mr. Butterworth, General Marshall stated that he was prepared to emphatically point out to Dr. Wong that continued hope for financial support from the United States for the purpose of economic stabilization could hardly

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<sup>62</sup> *Infra.*

<sup>63</sup> Wong Wen-hao, Vice President of the Chinese Executive Yuan.

<sup>64</sup> E. Ashley Bayne, special adviser to the Chinese Government on enemy property matters.

<sup>65</sup> General of the Army Douglas MacArthur, Supreme Commander for the Allied Powers in Japan.

<sup>66</sup> Conference of November 13, 6 p. m.; minutes not printed.



be entertained by the Chinese when the need for such stabilization had been caused by military leaders and "diehards" in the National Government who, during the past year, had shown no cooperation whatsoever with General Marshall.

Mr. Butterworth stated that he agreed that the matter should be dealt with emphatically, but that General Marshall should hold out to Dr. Wong hope for assistance in the economic stabilization providing the Government reformed.

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Marshall Mission Files, Lot 54-D270

*Memorandum by the President of the Chinese Executive Yuan  
(Soong) to General Marshall*<sup>67</sup>

During the war numerous agencies were established for close collaboration in the economic sphere between the United States and China. These wartime instruments largely fulfilled their purpose; but there is great need for continuing cooperation between the two nations along the lines of economic reconstruction and development of China and of the Far East generally. A healthy growth of the complementary economies of the East Asian countries is a fundamental objective of both the United States and China; it is a prerequisite to any lasting peace and stability in this area, to the stabilization and long-term development of China and to the successful democratic reorientation of Japan. It is important to the achievement of this common purpose that the plans of the two Governments should be closely coordinated and that mutual problems should be clearly understood. It is also important that, insofar as possible, these be worked out jointly, and without undue delay.

In order to establish this essential cooperation in the most effective and fruitful manner, the Chinese Government suggests that informal and confidential discussions should be opened immediately in Washington to define further the joint aims of the two Governments and recommend appropriate machinery to carry them out. It is suggested that each Government appoint a representative, to be assisted by a few technical aides.

Among the objectives to which the Chinese Government attaches great importance, and which it suggests should be carefully explored in these discussions, are the following:

1. The general shape of a complementary economic development of the East Asian countries—especially including China, Japan, Korea,

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<sup>67</sup> Copy discussed November 18 by General Marshall with Mr. Butterworth, date not indicated. Original forwarded to the Department of State by the War Department on December 4, 1946.

the Philippines and Southeast Asia—along lines which will permit maximum trade among them and with the rest of the world; and the policies which may be jointly defined to reach this objective.

2. Interim arrangements to promote the production and exchange of needed consumer goods in the Far East during the present abnormal period.

3. Establishment of agencies for joint planning of long and short term use and development of China's natural resources, factories, communications and other economic facilities; this will eventually require cooperative action to define the technical and material requirements of such a program, propose means of public or private, foreign or domestic financing, develop practical arrangements for the absorption and use of reparations and other sources of capital equipment, formulate programs to obtain necessary technical and managerial assistance.

4. Development of measures to aid in the restoration of private industrial production in China through a national reconstruction authority which would provide technical and financial assistance on an emergency basis.

The matters of great mutual interest to the United States and China cover a wide range, and the discussions here proposed may be expected to cover them only in the most general terms. The aim of these discussions, however, should be to lay the groundwork for more extensive and detailed coordination of the economic policies and measures of the two countries toward achievement of their mutual purposes. The confidential nature of the meetings will permit the freest exchange of views.

T. V. SOONG

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Marshall Mission Files, Lot 54-D270

*Minutes of Meeting Between General Marshall and Doctor Wong Wen-hao at No. 5 Ning Hai Road, Nanking, November 18, 1946, 11 a. m.*

Also present: Col. Caughey  
Capt. Soong <sup>68</sup>

Dr. Wong opened the meeting by stating that Dr. Soong had asked him (Dr. Wong) to obtain General Marshall's reaction to Dr. Soong's memorandum <sup>69</sup> (attached to preceding set of minutes), <sup>70</sup> and also to get General Marshall's views on economic cooperation between the United States and China.

General Marshall indicated to Dr. Wong that he was rather surprised by Dr. Soong's memorandum in that it discussed a complete program for economic stabilization based upon United States support.

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<sup>68</sup> John L. Soong, United States Army language officer.

<sup>69</sup> *Supra*.

<sup>70</sup> *Ante*, p. 1020.

General Marshall then reminded Dr. Wong he had promised, as a result of the last conference, only to suggest to the State Department the possibility of establishing a small confidential committee for the purpose of discussing reparations and also to dispatch a message to General MacArthur concerning the same question.

General Marshall continued by informing Dr. Wong that prospects of financial assistance by the United States to China were growing dimmer and dimmer. He pointed out that U. S. taxpayers, particularly under a Republican Congress, certainly would not be willing to support a country whose financial condition was continuing to worsen because of military campaigns. General Marshall stated that he realized the economic-minded persons were in the minority and the military leaders and "die hards" were influencing the course of affairs in China, and he pointed out that as long as that condition existed, the Chinese could hope for no financial support since those factors permit intolerable developments. For instance, it is not reasonable to assume that the Government is interested in economic rehabilitation at the same time it is supporting a large military force which requires over 75 per cent of its total budget. General Marshall said that the only reason China has been able to maintain any degree of stability is the assistance given it by the United States. General Marshall added that one of the principal reasons for his return to the United States in March was to arrange for further assistance to help China in these matters. Later adverse developments in China, however, caused deletions, amendments, and some cancellations of the assistance.

Dr. Wong stated that economic collapse in China is now beginning, and that China was beset with factors such as Communist armed forces, which make it mandatory from the Chinese view point for active cooperation between the United States and China toward economic stabilization. General Marshall told Dr. Wong that at the moment there existed no basis for cooperation and that the United States taxpayers could not support a country infested with civil war and one-sided politics. Dr. Wong reiterated that United States assistance was necessary to save China from economic collapse.

General Marshall again informed Dr. Wong that he would contact the State Department with reference to the establishment of a small confidential reparations committee, and would contact General MacArthur with reference to the handling of reparations material. General Marshall also stated he would send a copy of Dr. T. V. Soong's memorandum concerning economic stabilization to the State Department for its information.



893.0031/11-1946 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, November 19, 1946—4 p. m.  
[Received November 20—12:25 a. m.]

1910. For State, Treasury, Commerce and Agriculture.

1. Revised temporary foreign trade regulations promulgated March 1 annulled and replaced by new regulations announced November 17 and going into effect immediately. Summary of regulations and schedules being cabled by Consulate General Shanghai to Department.<sup>71</sup>

New regulations set up a board for temporary regulation of imports under Supreme Economic Council, the operative functions of the board to be performed by a small executive committee consisting chiefly of Central Bank and Customs officials. They extend licensing to all imports, permit applications for import licenses only to importers registered with the board, and divide imports into four schedules, the first consisting of capital goods, the second of goods to be imported under quota, the third (schedule III-A) of goods application for import, license for which will be handled by Foreign Exchange Examination Department of Central Bank, and the fourth of a prohibited list. The prohibited list is in effect substantially extended by schedule III-B, which includes all commodities not listed in other schedules, importation of which is temporarily suspended.

2. Embassy has as previously reported anticipated measure for some time, as drain on China's foreign exchange assets made it imperative for her to curtail imports. Therefore in situation in which small exchange adjustments—such as that of August 19—do not significantly benefit her balance of payments position, China decided to restrict her imports directly by tightening up import controls. Delay in introduction of measure due to need for improvising administrative machinery and to political uncertainties. As it is, administrative preparations still in early stages, and period of considerable confusion is expected. Final decision was taken this week-end in Nanking after conferences T. V. Soong, Tsuyee Pei, Blandford,<sup>72</sup> Rogers and Li Kan.<sup>73</sup>

3. T. V. Soong's press statement that the period of "shortage" of imports has come to an end and that the inauguration of selective importation will emphasize economic reconstruction is largely win-

<sup>71</sup> Undated, unnumbered telegram (not printed) received November 18. The text of the regulations and schedules was transmitted to the Department in the Consulate General's despatch No. 491, November 18, not printed.

<sup>72</sup> John B. Blandford, American financial adviser to the Chinese Government.

<sup>73</sup> Deputy Secretary General of the Chinese Supreme Economic Council.

dow-dressing, as informed opinion realizes that primary objective of measure is to conserve foreign exchange.

4. It is understood that regulations regarding pre-zero commitments will be promulgated by Central Bank and Customs in Shanghai in near future. Problems connected with these commitments, quota allocations, and divisions of quotas between Chinese and foreign importers are bound to arise, and Embassy is prepared to make representations to appropriate Chinese authorities in cases where discrimination is clearly involved. Regardless of the facts, it is to be expected that the American business community will regard measure as inconsistent with Sino-American commercial treaty.<sup>74</sup> Chinese are, of course, also aware of inopportune nature of measure in view of ITO<sup>75</sup> Preparatory Committee meeting in London; but as indicated in Embassy's telegram 1648, October 12, 3 p. m.,<sup>76</sup> in view of China's long-run balance of payments problem, the actual prospects are inevitably for continued tightening rather than for relaxation of import controls in spite of Chinese emphasis on "purely temporary" character of measure.

Sent Department as 1910; repeated to Shanghai as 745.

STUART

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893.5151/11-2646 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, November 26, 1946—6 p. m.

[Received November 27—8:56 a. m.]

1975. From Adler to Secretary of Treasury and at Butterworth's request to Acheson and Clayton. ReEmtels 1445 of September 10 and 1588 of October 4.

In conversation with Pei on November 22 he informed Casaday and me that Central Bank since March 4 had provided US dollars 215 million for commercial cover and for National Resources Commission expenditures and \$49,000,000 for Chinese Government expenditures abroad.

During the same period it sold 1,350,000 grams of gold. It has also sold about sterling 2 million. Thus Central Bank foreign exchange and gold resources have been depleted by approximately 320 million dollars in less than 9 months. Exchange adjustment of August 15 did not diminish rates of loss of gold and foreign exchange, as average

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<sup>74</sup> Signed at Nanking, November 4, 1946, T.I.A.S. No. 1871; or 63 Stat. (pt. 2) 1299.

<sup>75</sup> International Trade Organization.

<sup>76</sup> Not printed.

monthly loss in last 3 months has been dollars 50 million. As indicated in 4 of Emtel 1910, November 19, in view of heavy drain of China's foreign exchange assets prospects are inevitably for continued tightening of trade and exchange controls. [Adler.]

STUART

102.1/11-2746 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, November 27, 1946—9 a. m.

[Received November 26—11 p. m.]

1977. From Adler to Secretary of Treasury.

1. Will cable reply on currency shipment as soon as Pei, who is ill, is contacted. (Reference your telegram 1051 of November 20<sup>77</sup>.)

2. Reference your telegram 1002, of November 6. Discussed matter with American appointed banks. They informed me that Central Bank gives them only 3340 for Treasury checks and that as settlements of foreign exchange are now made with Central Bank at end of each week they do not cover costs of collection on transactions at this rate. Pei informed me that he would permit Navy to purchase CN dollars with US currency from appointed banks at 3350 plus 5% minus Central Bank charge of 2% for cost of insurance and transportation of currency to the United States, i. e., approximately 3450. He also indicated that he would investigate possibility of reduction of insurance and transportation charges and that benefit of any such reduction would be passed on to Navy. Both National City and Chase assured me they would sell CN dollars to US armed forces either for Treasury checks or US currency at same rate as Central Bank will repurchase from them without any charges, that is at 3340 for Treasury checks and approximately 3450 for US currency, though they would prefer US currency to Treasury checks for reason stated above. Accordingly, having cleared applicability of circular No. 59 with Pei I see no objection to Navy or Army purchasing CN dollars from American appointed banks with US currency. [Adler.]

STUART

893.51/11-2946 : Telegram

*The Acting Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, November 29, 1946—3 p. m.

1098. Because of economic and financial considerations affecting prospects for repayment, Eximbank not disposed feel opening new

<sup>77</sup> Not printed.



credit to China for Hankow-Canton-Kowloon railroad and Yellow River Bridge projects "would be in the best interests of China or of the United States and Export-Import Bank". This view not expressive formal action by Bank's directors, but is quoted from letter <sup>78</sup> to Clayton from Gaston, Acting Chairman Bank's Board, in reply to former's letter Oct. 29 <sup>79</sup> transmitting with Dept's agreement General Marshall's recommendations regarding these projects. Embtel 1548 Sept. 27. Texts both letters being forwarded <sup>80</sup> by Army courier to General Marshall. His and Embassy's comments on economic and financial considerations cited by Bank as well as political considerations involved would be appreciated.

ACHESON

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Marshall Mission Files, Lot 54-D270

*Memorandum by General Marshall to Colonel Marshall S. Carter*

OSE 610

NANKING, 30 November 1946.

Attached memorandum prepared at the Embassy's request by Mr. Bolling Powell <sup>81</sup> outlines in general various considerations connected with the loan CNAC has been attempting to obtain through the Eximbank. It is suggested that you hand this to appropriate Eximbank official for their use in considering the CNAC project.

Any loan of this nature, General Marshall thinks, should be based by the Eximbank on the commercial and technical aspects.

The restoration or expansion and improvement of communications in China—water, rail and air—is of fundamental importance to the economic recovery of the country. The problem is just how much of any loan should be granted in the light of the present political and military attitude of the government. General Marshall previously stated that he thought preliminary loans might well be granted for the restoration of the Canton-Hankow railroad and the first year preparations for the Yellow River bridge project. For the same reason a preliminary loan of about 10 million might be granted to initiate the development of CNAC, providing the commercial and technical (CAB <sup>82</sup> problems) appeared to justify such action.

For General Marshall:

J. HART CAUGHEY  
Colonel, G. S. C.

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<sup>78</sup> November 8, not printed.

<sup>79</sup> Not printed.

<sup>80</sup> Under cover of memorandum of November 26, not printed.

<sup>81</sup> Adviser of the Office of Transport and Communications.

<sup>82</sup> Civil Aeronautics Board.

## [Annex]

*Memorandum by the Adviser of the Office of Transport and Communications (Powell) to the Minister-Counselor of Embassy in China (Butterworth)*

Prior to my departure for China on August 6, 1946, I interviewed an official of the Export-Import Bank in Washington concerning the possibility of loan to China for the improvement of its commercial air transport system. He stated that the Export-Import Bank had been informally approached on the subject by officials of the CNAC, and that the matter had been discussed in an informal way. He stated that he had advised the CNAC people that no loan could be made for this purpose except out of the \$500,000,000 fund that had been earmarked for reconstruction in China, which fund was under General Marshall's control thus making his approval necessary. This probably explains why CNAC has now approached General Marshall on this matter.

The Export-Import Bank official stated that there had only been one meeting with CNAC officials on the matter and that the substantive merits of the proposed loan had not been discussed. In view of the fact that this matter has been presented to General Marshall at this time when the proposed Air Transport Agreement between the United States and China is being concluded by Chinese authorities,<sup>83</sup> the following observations would seem to be pertinent, particularly since at the commencement of these negotiations the Minister for Communications proposed that the Air Transport Agreement be informally linked with an agreement by the United States to finance the improvement of Chinese commercial air transport facilities. The Minister was advised that no such commitment could be made in connection with the Air Transport Agreement, and that if China insisted on such a commitment as a prerequisite to the Air Transport Agreement our Government would terminate the negotiations for this Agreement.

1. *Relation of Proposed Loan to International Air Transport.*

(a) The proposed loan would not improve overall international commercial air transport operations or services to or through China, but, aside from improvement of internal air transport, would merely enable CNAC to participate more extensively in the utilization of international air transport facilities of other countries. The funds received from this loan would not be used to improve the airports or other navigation facilities, including radio and meteorological serv-

<sup>83</sup> Signed at Nanking, December 20, 1946, T.I.A.S. No. 1609, or 61 Stat. (pt. 3) 2799. For correspondence on this subject, see pp. 1228 ff.

ices, of China for the general use of those interests rendering international air transport services to China. No part of the loan is proposed to be used in improving airport runways, an improvement which is badly needed in China particularly at Chinese international commercial airports. The only airport improvements envisaged are the construction of hangars and navigation facilities for CNAC's exclusive use within China, the majority of which would apparently be located at points not designated by Chinese authorities as international airports.

In the negotiations for the Air Transport Agreement the principal reason offered by the Chinese authorities for their hesitancy in executing the agreement has been the fact that the airports designated, or to be designated, as international commercial airports are not adequate for the purpose. It is evident that the proposed loan to CNAC would not in any way remedy this situation.

(b) The greater part of the fund obtained through the loan is proposed to be used to enable CNAC to purchase new aircraft and spare parts. This would give CNAC the equipment necessary for extensive participation in international commercial air transport operations, giving rise to the following situations:

(1) The United States Government would be financing additional competition for American international airlines, not only in the handling of traffic between the United States and China (third and fourth freedom traffic) but also in the handling of fifth freedom traffic, i. e., passengers, mail and cargo destined for or originating in the territory of any other country. The United States Government has certificated three American airlines to fly international routes to and through China. The Civil Aeronautics Board certificated these three American carriers and no more on the basis of the potential traffic available for these three competing carriers. In view of this fact it would seem that the Government would not be justified in now financing additional competition for the American carriers in this field of operations.

(2) Pan-American Airways is said to own a 20 percent stock interest in CNAC, and exercises further control over the operation by virtue of a management contract. If this loan were made, the United States would be indirectly financing additional international air transport operations for the benefit of Pan-American Airways without extending similar assistance to the other American airlines it has certificated to do business in this field. It would seem that the other American airlines concerned would have reason to object to such action, particularly since this would give Pan American indirect participation on international routes for which other American carriers have been given exclusive American rights by our Government through the CAB.

(3) Under the Air Transport Agreement "substantial ownership and effective control of airlines" of China must "be vested in nationals" of China. Otherwise, an airline of Chinese registration



could be prohibited by CAB from flying a scheduled operation to the United States under this Agreement. Whether or not, in view of the Pan American's relationship to CNAC, "substantial ownership and effective control" of CNAC is vested in nationals of China is a matter that would have to be decided by the CAB on all the facts of the case. In any event CAB might be consulted in the matter so that its freedom of decision would not be impaired by the United States making this loan to CNAC when part of the proceeds would be used to finance CNAC's international operations under the proposed Air Transport Agreement. The importance of this Pan-American participation is particularly emphasized in Item VI of the prospectus issued by CNAC on the loan.

2. *Other Considerations in Connection With Such a Loan.*

Financial assistance to China for the improvement of airports or other air navigation facilities, including radio and meteorological services, would seem to be warranted under proper conditions. Also loans for the improvement of its internal air transport services might be justified as part of a general reconstruction and rehabilitation program. But it would seem logical that these two steps should be taken before China is assisted in establishing an international air transport service.

Surplus property sales by the United States to China have made available to China a substantial though indeterminate amount of equipment and materials for the accomplishment of these two steps if they are properly utilized. In addition provision is made under the Convention on International Civil Aviation<sup>84</sup> for financial assistance to countries like China for the improvement of airports and other air navigation facilities used in international services. Furthermore, in time, loans for such purposes may well be made by the International Bank.

There are certain features that bear special consideration with respect to loans having to do with aviation:

1. The present conflict between the Ministry of Defense and the Ministry of Communications over the use of airports and navigation facilities in China for commercial purposes should be settled. In this connection more of the better airports at Chinese industrial and commercial centers should be designated for commercial use instead of being retained for military use.

2. Legislation should be enacted setting up a sound and efficient civil aviation regulatory body with sufficient authority to act promptly and finally in civil aviation matters without having to channel everything through higher levels of government. This regulatory body should be adequately staffed and efficiently organized.

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<sup>84</sup> Formulated at Chicago, December 7, 1944, T.I.A.S. No. 1591; or 61 Stat. (pt. 2) 1180.

3. The status of the CATC<sup>85</sup> and CNAC should be clarified, and policy with respect to competition between them established. The authority of the regulatory body over those companies should be established, and sound policies with respect to rates, mail subsidies and safety regulations set up.

4. Effective program for improvement of airports and navigation aids should be established and put in operation.

B[OLLING] R. P[OWELL]

[NANKING,] November 29, 1946.

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893.51/12-2346 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, December 23, 1946—1 p. m.

[Received December 24—9:25 a. m.]

2160. I. Dr. T. V. Soong handed following memorandum to Ambassador Stuart on eve of latter's departure for Peiping.

"US administration is preparing to recommend to Congress approximately 300 to 400 million relief grant, probably including Austria, Italy and Greece and is considering China. Chinese Govt has sent through Treasury representative, Mr. Sol Adler, the itemized balance of payment accounts for 1947 which shows payment of US dollars 1238 million and receipt of US dollars 857 or a deficit of US dollars 381 million.

China has made minimum allowance for its food and textile needs. Even allowing for UNRRA [apparent garble] reports, it will be necessary to import US dollars 175 million of cotton and 80 million of food. These two items account for the major part of the deficit in foreign exchange requirements.

It is hoped that the US Embassy will support China's case with the White House for an appropriate share of the relief grants. It is important that this support be made immediately as the US Administration emphasized that China's balance of [payment] statement should reach the US Govt not later than December 25".

II. Embassy comments are as follows:

1. Chinese estimate of a deficit in their 1947 balance of payment is about \$70,000,000 larger estimate prepared by our experts in Washington. This difference is not substantial in relation to magnitudes involved. There are of course, some significant differences in specific items. Thus, Chinese estimate their 1947 cotton import requirements at \$175,000,000, whereas according to our best data they should be only half that amount. There is also some question as to whether deferred arrival of UNRRA goods may not substantially diminish China's 1947 import requirements.

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<sup>85</sup> Central Air Transport Corporation, a subsidiary of the Chinese Ministry of Communications.

2. Chinese statement on foreign exchange holdings reveals that her net official foreign exchange assets as of December 18, 1946 were approximately \$423,000,000. She proposes to use her gold holdings (about \$118,000,000) for sale in China during 1947, which would leave only 305,000,000 for meeting her 1947 deficit. It should be noted that:

(a) Use of gold for internal sale for anti-[in]flationary purposes has been seriously questioned, and rightly, in Washington. In last 2 months of 1946 Central Bank may have sold as much as US dollars 50 million worth of gold in Shanghai, at which rate her supply of gold cannot last very long. Chinese claim that this rate of sale is exceptional, but in any case dissipation of this important foreign exchange asset for internal anti-inflationary purposes cannot easily be defended in view of strain on Chinese foreign exchange resources and fact that anti-inflationary effects of such sales are extremely shortrun and tend to be lost in the general inflationary upsurge.

(b) Chinese private foreign exchange assets, both abroad and within China, are quite substantial. In fact, they probably at least equal, if they do not exceed, her official foreign exchange holdings. Pressure on official holdings as a result of deficit in balance of payments would be greatly relieved if Chinese private foreign exchange assets could meet some of the burden. However, in view of weakness of Chinese control, it is doubtful whether drain on official assets will be significantly alleviated by use of private assets.

3. Undoubtedly the picture presented by Chinese statements is pretty grim and can easily be used to justify a relief grant. Question of whether we want to allocate by relief grant in 1947 to China depends on:

- (a) Our general China policy.
- (b) On how much Dept wants to grant to Italy, Austria and Greece, and
- (c) On what total Congressional allocation for relief will be.

III. General Marshall recommends that as regards 3 (a) above, in approaching Congress for relief appropriation, a suitable amount be requested for possible use in China.

STUART



## NEGOTIATIONS WITH CHINA REGARDING THE DISPOSITION OF SURPLUS PROPERTY <sup>1</sup>

### I. AGREEMENT REGARDING THE OVER-ALL BULK SALE OF SURPLUS PROPERTY TO CHINA, SIGNED AT SHANGHAI, AUGUST 30, 1946

Marshall Mission Files, Lot 54-D270 : Telegram

*Brigadier General Bernhard A. Johnson* <sup>2</sup> to *Mr. Thomas B. McCabe* <sup>3</sup>

SHANGHAI, 23 March 1946.

26467. Have had a 2-day conference with Doctor Soong <sup>4</sup> in Chungking regarding purchase of all surpluses on Okinawa, East China, North China, and Japan with the exception of what United States Agencies and UNRRA <sup>5</sup> take. We are setting up now a trip to Okinawa within the next week for about 15 or 20 representatives of Chinese Ministries, with Doctor Soong, for a 2-day inspection of the surpluses on that island. With my present background of this deal I believe that the Chinese Government will ask for \$250,000,000 revolving credit for the purchase of surplus property on the basis of 50 cents on the dollar of United States cost, or 50 cents on the dollar of United States cost plus transportation less condition depreciation. I have wired <sup>6</sup> Endicott <sup>7</sup> and Gould <sup>8</sup> in Washington to get in touch with Gen. Marshall, <sup>9</sup> to get him to help in paving the way in Washington.

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<sup>1</sup> For other correspondence on this subject, see pp. 911 ff., *passim*.

<sup>2</sup> Field Commissioner, China and Eastern Area, Office of the Foreign Liquidation Commissioner (OFLC). The OFLC was established in the Department of State in October 1945 with responsibility for the disposition of United States surplus property in foreign areas, lend-lease matters and liberated area requirements.

<sup>3</sup> Foreign Liquidation Commissioner and Special Assistant to the Secretary of State.

<sup>4</sup> T. V. Soong, President of the Chinese Executive Yuan.

<sup>5</sup> United Nations Relief and Rehabilitation Administration.

<sup>6</sup> Telegram No. 26468, March 23, not printed; it was similar in content to this telegram.

<sup>7</sup> H. Wendell Endicott, Deputy Foreign Liquidation Commissioner.

<sup>8</sup> Commodore Erl C. B. Gould, OFLC.

<sup>9</sup> General of the Army George C. Marshall, Special Representative of President Truman in China.

Marshall Mission Files, Lot 54-D270 : Telegram

*Mr. Thomas B. McCabe to Brigadier General Bernhard A. Johnson,  
at Shanghai*

[WASHINGTON,] 30 March 1946.

82715. Re your dispatch 26468.<sup>10</sup> General Marshall approves in principle of extending to China \$250,000,000 credit for purchase of surplus property. He is concerned however over price and feels every consideration should be given to sell the surplus against this credit at most reasonable figures. Monetary Division, OFLC, Washington, must secure approval to line of credit with State and Treasury Officials before agreement can be consummated. Pending the obtaining of governmental approval to the extension of an over all line of credit there is no objection to your continuing tentative discussions with the Chinese working toward the disposal of surpluses on 30 year terms at  $2\frac{3}{8}$  per cent up to a total amount of \$250,000,000. Before any contract or agreement is signed the general terms and price for surplus will be submitted to General Marshall for approval.

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Marshall Mission Files, 54-D270 : Telegram

*Mr. Thomas B. McCabe to Brigadier General Bernhard A. Johnson,  
at Shanghai*

[WASHINGTON,] 5 April 1946.

83352. Refer 82715 dated 30 March. Extension of dollar credit of \$150,000,000 to the Chinese Govt for purchase of surplus property is now authorized. This amount may be increased an additional \$100,000,000 at a later date when and if needed. The terms of the agreement covering this authorization will be negotiated in Washington and may require some time in completion. However, you are authorized to make commitments to Chinese Government up to \$150,000,000 immediately and if necessary make delivery of emergency items.

It is understood that the use of this credit may be made only after offset of CN debt<sup>11</sup> has been employed for purchases of surplus property.

State Dept desirous of obtaining approximately \$10,000,000 worth of real estate and buildings in China in exchange for surplus property. Necessary arrangements being made here for inclusion of this subject in the credit agreement.

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<sup>10</sup> Not printed ; see footnote 6, p. 1033.

<sup>11</sup> The Chinese national currency debt was due China for advances of such currency to American military forces in that country.

Marshall Mission Files, Lot 54-D270 : Telegram

*Mr. H. Wendell Endicott to Brigadier General Bernhard A. Johnson,  
at Shanghai*

[WASHINGTON,] 12 April 1946.

84249. Refer 82715 of 30 March and 83352 of 5 April. General Marshall <sup>12</sup> has been assured that he will be consulted regarding contracts at which surplus property will be sold to China under credit agreement. Desire that you secure his approval to price clause in sales contract which you have been authorized to consummate with Chinese Government.

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Marshall Mission Files, Lot 54-D270 : Telegram

*Brigadier General Bernhard A. Johnson to Mr. Thomas B. McCabe*

SHANGHAI, 15 April 1946.

28530. Doctor Soong proposes today that China buy all surpluses on Okinawa, in Japan, and in China, plus fill ins from other Pacific surpluses at price formula to be set later, all applied against the credit referred to in your 83352.

China has already committed approximately \$50,000,000 of the CNC debt for surplus property and Soong proposes that the balance of the CNC debt be used by China by [*to?*] buy cotton, wheat and other supplies from the United States now and not be used for purchase of surplus property.

As soon as General Marshall returns I shall take this subject up with him. In the meantime please get to me as soon as possible Washington's reaction.

With reference to your 84249, please be assured that all our actions and decisions are cleared and will continue to be cleared with General Marshall prior to consummation.

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893.24/4-1846 : Telegram

*Brigadier General Bernhard A. Johnson to Mr. John K. Howard* <sup>13</sup>

[SHANGHAI,] 18 April 1946.

28795. The Chinese have agreed in principle to an overall purchase on the basis of an agreed percentage of depreciated cost, one main proviso in addition being that 70 per cent or more of the surplus are immediately or in the near future needed by Government Ministries

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<sup>12</sup> General Marshall was on a visit to Washington from China.

<sup>13</sup> Central Field Commissioner, Pacific and China, OFLC, Manila.



or are saleable in the Chinese market. The Chinese are in the process of making a detailed study of surplus and excess items. We need at once excess lists from all services from Okinawa, Japan, and other stockpiles, covering Army and Air Force supplies. Such excess lists must include item, description, location, condition, amount and price of each item. Please contact Lt. Col. Schafbuch <sup>14</sup> of General Styer's staff and see if he can personally bring to Shanghai at once the data necessary. If possible the lists he brings should include also excess lists from Cebu, Batangas and Leyte.

The Chinese propose that they be allowed to set up with their own personnel on Okinawa a complete reconditioning plant for sorting, grading and reconditioning surpluses they buy so that the surpluses loaded for China are in good shape and can go immediately into the channels of trade. Can you get an okay on this from General Styer's headquarters. Colonel Craig <sup>15</sup> on Okinawa tentatively approved such a plan last week.

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter* <sup>16</sup> to General Marshall, at Chungking

[Extract]

[WASHINGTON,] 20 April 1946.

85205.

Dr. Soong has proposed (28530 Shanghai 15 April) that balance of Yuan indebtedness be used to buy cotton, wheat, and other supplies from US and not for surplus property. Reaction here in State and Treasury is not favorable, and it is felt that total authorization now of 300,000,000 US dollars for use of field commissioners in disposing of surplus property to China, with any additional credit requirements to be referred to Washington for consideration, is adequate. How much of this will be charged against Yuan indebtedness has not yet been determined, but understanding will probably be reached which will result in complete offset of CNC debt with balance of 300,000,000 covered by credit terms of 30 years at 2½% interest.

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<sup>14</sup> Lt. Col. Donald V. Schafbuch, attached to the staff of Lt. Gen. Wilhelm D. Styer, Commanding General, U. S. Army Forces, Western Pacific.

<sup>15</sup> Col. William D. Craig, Commander, Okinawa Base Command.

<sup>16</sup> Representative of General Marshall in Washington.

Marshall Mission Files, Lot 54--D270 : Telegram

*Mr. Thomas B. McCabe to Brigadier General Bernhard A. Johnson,  
at Shanghai*

[WASHINGTON,] 22 April 1946.

85280. 1. Reference your 28530 April 15, we do not agree to abandonment of offset principle in surplus sales as proposed by Dr. Soong nor to proposed sale at price formula to be set later. Subject to views of General Marshall which you should secure we believe sales should be continued as rapidly as possible at firm dollar prices. Dollar amount Yuan debt for 1945 and estimate for 1946 not yet determined. Moreover until final determination US policy re lendlease settlement it is impossible to estimate proportion Yuan debt that will be available as offset surplus property. Decision expected soon. Until then surplus sales may be made on tentative credit basis up to \$150,000,000 sales value with reservation US right finally to settle any part thereof on offset rather than credit terms.

2. If after completion of \$150,000,000 sales as authorized paragraph 1 further credits are needed to enable additional surplus purchases by Chinese question should be referred here for consideration.

3. In order to bring Chinese sales in line with other comparable credit transactions the credits should be for 30 years at 2 and  $\frac{3}{8}$ th% interest.

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Marshall Mission Files, Lot 54--D270 : Telegram

*General Marshall to Colonel Marshall S. Carter*

[NANKING,] 4 May 1946.

640. I concur with State and Treasury regarding maintenance of our present position with respect to offset principle. Your 85205 refers. Please keep me informed of any future proposals to obtain reversal of agreements previously reached with me.<sup>17</sup>

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Marshall Mission Files, Lot 54--D270 : Telegram

*General Marshall to Colonel Marshall S. Carter*

NANKING, 18 May 1946.

712. Please deliver following to Mr. McCabe, head of Foreign Liquidation Commission.

"Dear McCabe: Yesterday I had a long conference with your Mr. Howard and General Johnson. Howard's 10-page letter to me of

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<sup>17</sup> See telegram No. 294, February 14, 11 a. m., from the Counselor of Embassy in China, p. 939.

May 14<sup>18</sup> was basis of discussion. Copy of this letter is en route to you by hand of Wendell Endicott who is due Washington in a few days. Crux of proposition of Howard is price of 30% of cost less scrap, vessels, aircraft and fixed installations provided China takes all such surplus in the Western Pacific except UNRRA and Philippine quotas.

One necessary condition precedent to agreement is availability of sufficient U. S. credit to enable China to complete overall purchase, and the other condition is necessity to secure memo of agreement of other governments where material is now stored and inadequate labor is available to permit Chinese to land labor to carry out task of guarding, sorting, packing and lading items. This would involve Australia for New Guinea, Bismarcks, Solomons, etc., French, possibly New Zealand and Great Britain.

Availability of credit will depend on total price. At present unexpended U. S. dollar equivalent of yuan debit owed China will now probably total 80,000,000. Credit already granted is 150,000,000 and extendable to 250,000,000, making total of 330,000,000.

At a sale price of 30% of cost, necessary credit would be from 370 to 500 millions.

A 25% of cost would require a credit of from 300 to 420 millions. (All figures approximate)

I understand that the average price of previous sales has been 37% of cost. Howard expresses willingness to go down to 30% of cost for China. This to me is too high for these reasons:

We have far more than merely a financial interest in the transaction. Our position if not our future security in Pacific is involved. The Chinese economic crisis and inflation present a threat to our desires and hopes. Such considerations were not involved to any material extent in case of other countries. Furthermore in most other cases I believe surplus property was on the ground of country making purchase. China will have to import practically all of her purchases over long ocean distances and at considerable expense from her limited cash resources.

I think 25% would be the maximum we should be logically justified in charging unless we plan to charge higher prices for war surpluses and then offset the procedure by loaning more money than we plan to do. Incidentally I do not understand that there is any competition for this overall purchase.

Howard feels that Foreign Liquidation Commission should be cleared to negotiate with definite assurances as to U.S. credits available which he hopes will permit cleanup of surplus property in Pacific.

We have the problem out here of deciding whether or not China can absorb purchase of entire lot, and how long a period will be involved in importation and distribution, and the effect on American business interests. Howard thinks last mentioned would profit if given opportunity with Chinese in marketing items. Also sale would promote demand for spare parts and replacements."

Another subject for Carter: Please give copy of this to proper official in State Department and any one else you think advisable. Howard

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<sup>18</sup> The text of this letter is included in an unnumbered telegram of May 20 from Mr. Howard to Mr. McCabe, not printed.



plans to talk to McCabe by telephone from Manila tomorrow Sunday evening—your Saturday. So get this to McCabe as quickly as possible.

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter to General Marshall, at Nanking*

[WASHINGTON,] 20 May 1946.

88592. The following has been received orally from Mr. McCabe with the request that I pass it to you, reference your 712:

“Thank you for your message of 18 May. I am very much impressed with your reasoning and am sympathetic to your views. I am awaiting Endicott’s arrival, and since I have not yet heard from Howard, will get in touch with him after Endicott’s arrival.”

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter to General Marshall, at Nanking*

[WASHINGTON,] 23 May 1946.

89053. Reference your 712, and my 88592, I have just sat in on teleconference<sup>19</sup> between McCabe and Howard in which Mr. McCabe concurred in your price recommendation of maximum of 25% of original cost not landed cost, this on the basis that China would take all moveable surpluses exclusive of scrap vessels and airplanes as covered in Howard’s letter of May 14<sup>20</sup> to you, and also proposed that scrap not economically returnable to the United States be included at no charge. McCabe is not particularly concerned about difficulties with additional extensions of credit but did inject the thought that the United States might desire certain intangible concessions from China in consideration for additional credit and low price with the statement that Howard should be guided by your views in the matter. The conference closed with mutual expressions of admiration and the request that a copy of the teleconference be forwarded by Manila to you.

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Marshall Mission Files, Lot 54-D270 : Telegram

*Mr. Thomas B. McCabe to Mr. John K. Howard, at Manila*

[WASHINGTON,] 15 June 1946.

91468. I am unofficially advising you that you are authorized to increase the Chinese credit from outstanding amount of \$250,000,000

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<sup>19</sup> May 23, not printed.

<sup>20</sup> Not printed.

to a total of \$425,000,000<sup>21</sup> which you indicated. The Chinese National Debt<sup>22</sup> of approximately \$80,000,000 which I understand remains at this time unused is temporarily withdrawn for use in connection with a proposed bulk sale to China. I suggest you go ahead with your negotiations until such time as I can restore either all or some part of the remaining Chinese National Debt for your purpose. Keep me advised.

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Colonel Marshall S. Carter*

NANKING, 16 June 1946.

917. Please transmit for me the following message<sup>23</sup> to McCabe, FLC.

Part 1: Soong has agreed to price of 22% subject to many details of contract to be worked out.

Part 2: Agreement is made on basis that return to United States of new and good condition excess property be stopped at once. Such property is needed to carry the junk which will be left if return is continued. General Marshall requests that action be taken at once to enable FLC to help him carry out his mission by making this contract with China.

Part 3: As greatest part of excess property left in Pacific and China is located in bases in Philippines, and as balance left after Philippines have been given 100 million worth of surplus property under the Tydings Bill<sup>24</sup> will still be a large part of what China buys, it is absolutely necessary that the Philippines agree, in advance of the execution of the proposed contract, that Chinese Nationals, under proper supervision of both responsible Chinese officials and the United States Army and Navy, be permitted to enter the Philippines and remain there long enough to receive the property from the United States, prepare it for outloading and outload it for removal to China. It is felt that this agreement must be made on a government to government level and should be expedited, as contract with China depends upon its successful negotiation. General Marshall requests the appropriate action.

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<sup>21</sup> Formal approval to grant the Chinese Government a credit up to \$425,000,000 for the purchase of all uncommitted surplus in the Pacific was given by Assistant Secretary of State William L. Clayton in his memorandum of June 18 to Mr. McCabe (893.24FLC/6-1846).

<sup>22</sup> The debt due China for advances of Chinese national currency to American military forces in China.

<sup>23</sup> This message was also signed by Mr. John K. Howard, Mr. William E. Vogelback, and Brig. Gen. Bernhard A. Johnson. Mr. Vogelback was the appointed Central Field Commissioner, Pacific and China, OFLC.

<sup>24</sup> Approved April 30, 1946; 60 Stat. 128.

Part 4: Credit will have to be sufficient after exhaustion of United States loan [*yuan*] debt to China, to pay United States for property, pay fees of first class engineering force [*firm*] to plan, organize and manage the large operation of clearing the property from its present location, technical assistance in reconditioning part of property (it is [contemplated] that after study it may be found to be advisable to recondition some of property at bases before shipping to China), shipping expenses to China and a limited amount of expert assistance in marketing property in China. Credit is not to be extended for Chinese labour, its logistic support and any equipment, services and facilities available to China.

Part 5. Howard is returning to Washington in few days with representative of Chinese Government to explain situation, but action requested in parts 2 and 3 should start immediately and not await his arrival. No publicity.

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893.24/6-2246

*Memorandum by Mr. William E. Vogelback*

[NANKING,] 22 June 1946.

MEMORANDUM OF AGREEMENTS REACHED AT NANKING, CHINA  
JUNE 15TH TO JUNE 21ST, 1946<sup>25</sup>

For the United States: J. K. Howard, W. E. Vogelback, B. A. Johnson.

For China: Dr. T. V. Soong (Prime Minister), Gen. P. Kiang.<sup>26</sup>  
Concurred in by General Geo. C. Marshall, U. S. Ambassador to China.

*Agreements Reached June 15*

1. That the agreement involves the sale to China of all property of the United States Government located in the area under the jurisdiction of the Central Field Commissioner for the Pacific and China, which has been or will be declared "Surplus" except (a) property under contract for sale at the time of signing this agreement, (b) property to which the Philippine Government is entitled under the terms of the Tydings Bill, (c) ships and other maritime equipment, (d) fixed installations and (e) aircraft and parts peculiar to aircraft.

2. That prior to the signing of this agreement, the shipment to the United States of excess property will have ceased.

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<sup>25</sup> A detailed account of the negotiations leading to the Nanking Agreements is included in an undated brief prepared for Mr. McCabe by Mr. Vogelback (893. 24 FLC/8-1146).

<sup>26</sup> Piao Kiang, Director of the Board of Supplies of the Chinese Executive Yuan.



3. The United States Government will extend sufficient credit to (a) purchase the surplus, (b) pay the cost of transportation to port of destination, (c) purchase such spare parts as are required to rehabilitate the property purchased, (d) engineering and supervisory services.

4. That China will engage the services of some large, reputable engineering and contracting firm, to plan, direct and supervise the transfer of property from the U. S. Government to China.

5. That immediately upon the signing of this agreement, China will send representatives into the field where the property is located for the purpose of monitoring the property.

6. That the care, maintenance, rehabilitation and outloading will be done by China, and that the U. S. Government will arrange with the foreign countries upon whose soil the property is located, for permission to employ Chinese troops or other labor within such countries.

*Agreement Reached June 16*

7. The overall price of surplus property on the basis of "where is" "as is" is 22% of the procurement cost, subject to certain mutually satisfactory stipulations on the condition of ordnance and engineering equipment.

*Agreements Reached June 21*

8. That "no self-contained operating unit of ordnance or engineering property shall be paid for under the 22% clause, unless there are actually present in the item the major parts, including the major components thereof, the cost of which aggregate at least 80% of the total cost of such items, provided that they are not available from items determined to be salvage. Such major parts are not to be damaged as that term is hereinafter defined. By 'damaged' it is meant that the part has been rendered unusable for its purpose and/or is structurally unsound. The cost of such parts is to be the list cost reduced proportionally so that the aggregate of all parts of an item will equal the list cost of the item."

9. The items which do not qualify for payment under the 22% clause in accordance with agreement 8 above are to be considered "salvage". China will construct and operate a salvage depot or yard, and will strip this salvage of its usable parts. These parts will be held for the account of the U. S. Government. All salvaged parts taken by China for use, sale or otherwise are to be paid for on the basis of 15.4% of the procurement cost of such part or parts. All parts not taken by China become the property of the United States for its own disposition.

10. That "Scrap" is that material, equipment or parts which have no value in use except for the material content thereof. "Scrap" is to be turned over to China in consideration for assumption by China of the obligation to dispose of all residual scrap piles in such manner as will hold the U. S. Government harmless for claims of damage of every description arising out of the storage, movement or disposition of such scrap or other surplus property.

11. That China will set aside a percentage of the net profits arising out of the execution of this agreement for the purpose of establishing an educational fund for exchange scholarships with the United States in accordance with a plan approved by the Cultural Relations Division of the U. S. Department of State.

W. E. VOGELBACK

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Marshall Mission Files, Lot 54-D270 : Telegram

*Mr. Thomas B. McCabe to Mr. John K. Howard, at Manila*

[WASHINGTON,] 22 June 1946.

92224. Please pass to General Marshall. Reference Part 2, 917 dated 16 June signed by Marshall, Howard, Vogelback and Johnson. We have conferred with Army, Navy and OWMR<sup>27</sup> and have every reason to believe that the program for returning to United States new and serviceable items by the services will be discontinued. OWMR will call meeting probably Monday to be attended by Army, Navy, CPA<sup>28</sup> and ourselves to make final decision and my informal talks with agencies concerned indicate that your request will be acted upon favorably. The directive to be issued by the services may limit the discontinuance of shipments for a period of 30 days during which time the prospects of consummating the China deal can be determined.

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893.241/7-246 : Telegram

*Mr. William E. Vogelback to Mr. Thomas B. McCabe*

MANILA, 2 July 1946.

3719. Pending the execution of firm contract with China, a policy has been adopted to govern action of Pacific Field Commissioners, which recognizes possible moral obligation to cease disposals earliest possible date on one hand and the damaging effects which would inevitably follow the cessation of selling operations on the other. Sales will continue except that large contracts involving 1 million dollars

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<sup>27</sup> Office of War Mobilization and Reconversion.

<sup>28</sup> Civilian Production Administration.

or more in realization will be discussed with China with intention of securing waivers. Until July 15th sales will be unconditionally for account of US Government coinciding in date with loading of ships now dockside. Beginning July 16th sales will be earmarked as tentatively for China account but at no time to exceed the last 30 days cumulative sales. This will be used as incentive to speedy agreement and other purposes.

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Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel Marshall S. Carter to General Marshall, at Nanking*

[WASHINGTON,] 24 July 1946.

95432. The following message is transmitted at the request of Mr. Thomas B. McCabe, Foreign Liquidation Commissioner:

"Part 1: War Department is critical of tentative agreement of June 16 and June 21<sup>30</sup> by Vogelback and Mr. Howard with Dr. Soong on the basis that it may involve too much work on the part of the Army in the field to implement it and the necessity of retaining Army personnel in the field beyond the time otherwise required.

"Part 2: As a result of Army criticisms other methods and plans for accomplishing the same results (1) the liquidation of the surplus in Pacific and (2) the strengthening of the economy of China have been examined by State, Treasury, War, Navy and OWMR during the last 3 weeks.

"Part 3: Consensus of opinion here is that if possible the deal should be made on the basis of a lump sum price which would eliminate the necessity of any further accounting of the property transferred to China. It is felt here highly desirable that payment for a lump sum purchase by China should be an exchange of the balance remaining in the Yuan account plus the real estate required by State Department and perhaps a credit established in China for educational, scientific and cultural purposes. This would obviate necessity for fixing exact procurement cost of property transferred as well as for fixing the exact amount of the Yuan debt.

"Part 4: Negotiation of an agreement along this line is so complex and involves the interests of so many different departments of the government that it is felt here by highest authorities including OWMR, State, War, Navy and Treasury that a mission composed of Under or Assistant Secretary of War, Assistant Secretary of the Navy, an authorized representative of Treasury and myself should go to China at once to confer with you and with your guidance close a deal with China if possible on the spot along the lines indicated in Part 3 or on any other basis that the circumstances warrant.

"Part 5: This mission will proceed only if you think it desirable and with your full concurrence in its objectives. Therefore urgently request your immediate reply.

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<sup>30</sup> See memorandum by Mr. Vogelback, June 22, p. 1041.



"Part 6: Chinese here have not been contacted concerning thinking reflected in Part 3 or trip proposed in Part 4. Signed Thomas B. McCabe, Foreign Liquidation Commissioner."

For your information Mr. McCabe has exerted continuous maximum effort to obtain complete agreement here to the form and basis of a surplus property deal which would harmonize with your objectives. I have followed the matter closely and agree that the proposed trip represents the quickest and most efficient method of closing a deal satisfactory to China and consistent with US interests, subject, of course, to the appropriateness of the arrival in China at this time of the high level group suggested above.

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Colonel Marshall S. Carter*

NANKING, 29 July 1946.

32. I agree with objective of McCabe's suggested delegation, your 95432 refers. Incidentally, if McCabe delegation can help in final settlement of the yuan indebtedness, so much the better.

The seething economic-political-military situation in China might conceivably interfere with definite accomplishment by the delegation, hence all members must be steeled against possible disappointment.

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893.24/8-246

*The Director of the Office of War Mobilization and Reconversion  
(Steelman) to the Acting Secretary of State*

WASHINGTON, August 2, 1946.

DEAR MR. ACHESON: Attached is a copy of a memorandum from me to the President, and a copy of the President's reply, regarding the proposed mission to China to negotiate a sale of our uncommitted Pacific surpluses to the Chinese Government.

You will note the President's direction that Mr. McCabe, in addition to his authority to determine whether and on what terms a sale should be made, should also be fully authorized to deal on behalf of the United States with any matters relating to the various phases of our war account with China, following relevant policy decisions wherever they have already been made. You are respectfully requested to take the necessary steps to carry out the President's direction.

Sincerely,

JOHN R. STEELMAN

[Annex 1]

*Memorandum by the Director of the Office of War Mobilization and  
Reconversion (Steelman) to President Truman*

WASHINGTON, August 2, 1946.

At the request and with the support of General Marshall, negotiations were initiated last April with the Chinese Government looking toward the sale to that Government of a large part of the Army and Navy surplus property in the Pacific Theaters. In view of the compelling political reasons for rendering economic assistance to China and the cost and difficulty of removing unsold surplus and disposing of it in the United States, it has been generally agreed by the agencies of this Government having a concern with the matter that all surplus property not otherwise committed should, if possible, be disposed of to the Chinese Government. It was also generally agreed that the price asked would probably have to be low if the Chinese Government were to be induced to enter into the transaction. After preliminary discussion of the estimated amount of surplus property available (approximately one billion dollars in procurement cost) and the price, the Chinese Government indicated a desire to proceed with the purchase on certain terms. The return of surplus from the Pacific to the United States for sale through domestic disposal agencies was accordingly halted approximately July 1st.

At the present point in the negotiations a major issue has arisen as to the form the purchase agreement should take. There are three possible forms of such a purchase agreement, which I summarize below:

(1) The Chinese Government would accept surplus property as made available to it for transfer, and would pay a purchase price to be computed as a percentage of the original procurement cost of the property actually transferred. This is the plan so far discussed with the Chinese, and one which it is assumed they would prefer, since under such an agreement they would not be required to assume a major financial obligation in advance of adequate information concerning the assets they would acquire. Some of the interested U. S. agencies, however, feel that this plan would be exceedingly burdensome, and would involve elaborate and protracted checking and accounting operations this government is hardly in a position to perform.

(2) Wherever possible, as an alternative to Plan 1 above, representatives of the Chinese and the U. S. Governments would negotiate an over-all price to be paid for each lot or base designated for transfer. This method would involve a number of separate negotiations, but it would eliminate a large part of the laborious accounting which would be required by (1), would permit the Chinese to gain a fairly accurate conception of what they were getting before they made a price commitment, and would give to the Chinese an incentive to take prompt possession of property once it had been designated to them.

(3) An agreement incorporating an over-all price for all our surpluses in the Pacific (less prior commitments), whatever they may turn out to be, would be negotiated with the Chinese. The amount would be offset against our cash obligation to the Chinese on account of the Yuan advances for U. S. Army expenditures in China, and some additional payment would be sought in the form of grounds and buildings, funds for cultural purposes, and other property or services desired by the U. S. No separate settlement would thus be required for Yuan advances as would apparently be required under either (1) or (2). This plan is unanimously favored by the interested U. S. agencies.

The State, Treasury, War and Navy Departments in consultation with this Office are agreed that further negotiations looking toward a settlement of the outstanding issue cannot effectively be directed from Washington while they are being conducted in Nanking. My recommendation, supported by the Departments concerned, is that a mission consisting of Mr. McCabe, the Foreign Liquidation Commissioner, representatives of the War Department, the Navy Department and the Treasury Department, proceed to China to conclude the negotiations. Each member of this mission should carry with him authority to act for his Department and the Foreign Liquidation Commissioner should carry with him the authority of this Office and be authorized with Presidential approval to conclude an agreement, after due consultation with General Marshall and our Ambassador <sup>31</sup> and with his associates on the Commission.

If you approve this recommendation, I will request these men to depart as promptly as possible. In the meanwhile, the State Department will notify General Marshall and our Ambassador of this plan and our negotiators will be instructed to await the arrival of the mission rather than any further cabled instructions.

[Annex 2]

*President Truman to the Director of the Office of War Mobilization and Reconversion (Steelman)*

[WASHINGTON,] August 2, 1946.

DEAR MR. STEELMAN: I agree with your recommendation that a mission should proceed immediately to China to conduct on the spot negotiations for a sale of our uncommitted Pacific surpluses to the Chinese Government. Mr. McCabe, as the Foreign Liquidation Commissioner, should take part in the mission; and because the problems involved in such a sale affect the interests of several government departments and agencies, he should be accompanied by high officials

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<sup>31</sup> J. Leighton Stuart.



of the War and Navy Departments and of the War Shipping Administration, each of whom should carry with him full authority to act for his department or agency in any matter of concern to such department or agency which may arise in the course of the negotiations. In addition, a representative of the Treasury should accompany the mission as an adviser. As the Foreign Liquidation Commissioner, Mr. McCabe is of course responsible for the ultimate decision as to whether a sale should be made, and as to its terms and conditions; and his decision after due consultation with his associates on the mission, as well as with General Marshall and with Ambassadors Stuart and McNutt,<sup>32</sup> will carry with it the authority of your office and will be supported by my approval.

For Mr. McCabe's guidance, I think it well to reiterate my conviction that General Marshall's mission in China is of tremendous importance to our national welfare. Considerations affecting the success of this mission should be paramount in any decision whether and how to sell our Pacific surpluses. Second only to the considerations affecting the Marshall mission, weight should be given to effecting a speedy roll-up of our military and naval operations in the Pacific, and to bringing home promptly the largest possible number of our soldiers, sailors and marines and reducing the number of civilian employees of our armed services overseas. These considerations cannot of course supersede the statutory injunction to secure as nearly as possible fair value in the sale of surplus property, but they should be taken heavily into account in deciding just what is fair value in all the circumstances.

Although the primary purpose of Mr. McCabe's mission will not relate to the various phases of our war account with China, such as lend-lease, the 1942 credit,<sup>33</sup> or the obligations of our Government on account of yuan expenditures and advances by the Chinese Government, yet it is apparent that successful negotiation of a surplus sale may well call for negotiation and settlement of some one or all of these additional outstanding items. Mr. McCabe should be fully authorized to deal with these matters on behalf of the United States, following relevant policy decisions wherever they have already been made.

Sincerely,

(HARRY S. TRUMAN)

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<sup>32</sup> Paul V. McNutt, Ambassador to the Republic of the Philippines.

<sup>33</sup> For correspondence on this subject, see *Foreign Relations*, 1942, China, pp. 419 ff.

893.24/8-246

*The Acting Secretary of State to Mr. Thomas B. McCabe*

[WASHINGTON,] August 5, 1946.

DEAR MR. MCCABE: In accordance with the attached direction from the President and from the Director of War Mobilization and Reconversion,<sup>34</sup> you are hereby given full authority to act for the Department of State in all matters of concern to the Department which may arise in connection with the proposed negotiations for a sale of our uncommitted surpluses in the Pacific to the Chinese Government. In connection with these negotiations you are further authorized to deal on behalf of the United States with any matters relating to our war account with China, such as lend-lease, the 1942 credit, or the obligations of our Government on account of yuan expenditures and advances by the Chinese Government, following relevant policy decisions wherever they have already been made.

Yours sincerely,

DEAN ACHESON

893.24/8-2146

*Memorandum by Messrs. Thomas B. McCabe and William E. Vogelback to the President of the Chinese Executive Yuan (Soong)*

[SHANGHAI,] 21 August 1946.

1. During the period June 15th to June 21st certain tentative understandings were reached between representatives of the U. S. Foreign Liquidation Commissioner and the China Board of Supplies relating to the sale by U. S. to China of nearly all U. S. surplus property located in the Pacific.

2. The proposed terms of the agreement involved approval by, and action of, the several Departments of the U. S. Government. For example, the matter of "Credit" (Treasury Department), "Employment of Nationals in other than Chinese territory" (State Department), "Inspection and checking out of property to be transferred" (War and Navy Departments) and the "Freezing of property in the Pacific pending sale to China" (several departments and OWMR).

3. The proposed agreement and its implications were examined exhaustively and critically in Washington by the high officials of the Departments concerned. Objections to the plan were raised by the War and Navy Departments, particularly on the ground that the personnel required to check out the property in detail was not available, and that in any event the time element would seriously disturb the peace-time program of the Services.

<sup>34</sup> See *supra*.

4. It was determined in Washington that a mission should proceed to China to conduct on the spot negotiations for a sale of the surpluses to China under terms and conditions, as far as possible, consonant with the plans and policies of the several Governmental Departments and Agencies. The President of the United States directed that Mr. Thomas B. McCabe be accompanied by high officials of the War and Navy Departments and of the War Shipping Administration, each of whom should carry with him full authority to act for his Department or Agency in any matter of respective concern which might arise in the course of the negotiations. In addition a representative of the Treasury Department would accompany the mission as an advisor.

5. The President stated that Mr. McCabe as Foreign Liquidation Commissioner would be, of course, responsible for the ultimate decision as to whether a sale should be made and as to its terms and conditions.

6. On the arrival of the mission at Manila, Pacific Headquarters of the Foreign Liquidation Commissioner, all pertinent data relating to the available surpluses in the Pacific were reviewed and analyses of conditions and methods were made to put the details of the new proposal on a concrete, realistic and workable basis.

7. The considerations which outlined the type of proposal to be made were (a) China's capacity to transport and absorb the tremendous volume of surplus in the light of the congestion of the port of Shanghai and the difficulties in the way of internal distribution; and (b) the capacity of the U. S. Armed Services with their continuing reduction of already limited personnel to engage in checking out the items of property, as well as the expense to be incurred by both China and the U. S. in engaging in such detailed operations.

8. After arrival in Shanghai, meetings were held of representatives of the several departments and agencies, and it was the considered and unanimous conclusion that a proposal be made to China involving all the uncommitted surplus property except aircraft, ships, fixed installations and non-demilitarized combat matériel located in China, Okinawa, Guam, Saipan, Tinian, Eniwetok, Marcus, Kwajalein, Los Negros, Ulithi, Majiro, Makin, Manus, Peleliu, Finschhafen, Iwo Jima (except army ground forces), Wake and Roi, representing an aggregate procurement cost of approximately \$500,000,000, and that this sale be made on a straight bulk basis. This differed from the previously discussed sale in that the surpluses in the Philippines were now to be excluded from the proposed sale. The foregoing does not include any property set aside to fulfill requirements for the 8 $\frac{1}{3}$  group Chinese Air Force program.

9. This proposal was discussed fully with General Marshall and Ambassador Stuart and met with their complete approval.



10. The surplus and excess property available for sale to China under this proposal is estimated to be approximately as follows:

China	\$13, 000, 000
Okinawa	170, 000, 000
Guam	146, 000, 000
Others	171, 000, 000

Approximate Total:	\$500, 000, 000
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There has been prepared and there is available a breakdown of these estimated figures into classes of property and by locations as well as a descriptive list of major types of property included in this proposal.

11. Of this estimated \$500,000,000 of property, approximately \$337,000,000 has already been declared surplus and is listed on surplus declaration forms. The balance is estimated on a tonnage basis by classifications in accordance with previous experience.

12. It is proposed that this surplus property, estimated at \$500,000,000, together with \$150,000,000 (\$53, 000,000 in sales price) of property already purchased, the \$90,000,000 (\$16,000,000 in sales price) in the balance of the small ship program, the \$5,000,000 representing the 20% cash payment on the purchase of the West China surpluses, and the \$85,000,000 (\$6,000,000 in sales price) for certain fixed installations referred to below, be sold to China in consideration of the cancellation of the Yuan debt, plus an aggregate amount of \$25,000,000 to cover certain real estate and a fund to be established for promoting research, cultural and technical educational relationships. The fixed installations relate to (a) weather stations and aircraft communication systems which China would maintain under the usual form of agreement covering such facilities, and (b) air fields. In addition to the foregoing property, there is included in the sale such substantial amounts of scrap at the several bases as are available or may be made available by the Services.

13. In order that China derive the maximum advantage from its purchases of surplus property, China would engage an established American firm or firms of engineers and contractors to plan, direct and manage the guarding, reconditioning, loading, transportation to China, unloading and moving to storage the property purchased.

14. China would agree to utilize the normal channels of distribution without discrimination against U. S. citizens operating in China.

THOMAS B. McCABE

*Special Assistant to the Secretary of State  
and the Foreign Liquidation Commissioner*

WILLIAM E. VOGELBACK

*Central Field Commissioner for the Pacific  
and China*

Marshall Mission Files, Lot 54-D270 : Telegram

*The Assistant Secretary of War (Petersen) to The Under Secretary of War (Royall)*

SHANGHAI, 22 August 1946.

2804. Meet T. V. Soong for initial meeting with Chinese on Friday. Delays due to absence of General Marshall in Kuling and difficulty of getting date with Dr. Soong.

Mr. McCabe and I met with General Marshall and Ambassador Stuart in Nanking yesterday and received full approval of our program. Propose to offer Chinese all uncommitted civilian type surplus plus scrap in Ryukyus, Marianas and other islands exclusive of Japan, Philippines and part of Iwo Jima. This will include Fin-schaffen (AIE) and what UNRRA does not take from Manus (Navy). Japan surplus is to be used in Japan and part of Iwo Jima to be used for military government requirements in Korea. Residue in Philippines to go to Philippine Government. This to be on bulk sale, no check out, lump sum basis with adequate permission to assure China can accomplish her end of sale. Advise my office.

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893.24/8-2746 : Telegram

*The Consul General at Shanghai (Davis) to the Secretary of State*

SHANGHAI, [August 27, 1946.]

[Received August 27—11:10 a. m.]

For Acheson from McCabe; info General Connolly.<sup>35</sup> Communist public press protest against sale of surplus property as conducive to prolonging civil war and charging ammunition and weapons included in surplus sale with part of consideration China ceding civil air sovereignty to US. Communist member of Committee of Three, General Chou En-lai,<sup>36</sup> lodged formal protest with General Marshall which is as follows:

"Learned from our last conversation and other sources that Minister Petersen and United States Foreign Liquidation Commission and Navy Department representatives are conferring in Shanghai with high Chinese Government official for final settlement United States surplus properties transactions which are estimated as worth ranging between 350 million and 500 million dollars gold. Taking further into consideration high discount rate involved, actual worth certainly runs up to many times more. Further learned that Chinese Government contemplating sharing Chinese aerial sovereignty with United States, in order to secure in return more favorable discount rate and United States shipping facilities for transferred properties.

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<sup>35</sup> Maj. Gen. Donald H. Connolly, Deputy Foreign Liquidation Commissioner.

<sup>36</sup> Head of the Chinese Communist Party delegation at Nanking.

"Seeing that Chinese Government made full exploitation war materials previously turned over by United States in pursuing present civil war which is raging with full vigor, surplus properties transactions at this moment are tantamount to adding fuel to flame and might [probably result in frustration any final attempt to bring present fighting]<sup>37</sup> under control. Though it cannot yet be ascertained whether or not munitions are included in transaction such materials are none the less war supplies that would tremendously enhance government war potentialities.

"In view of foregoing, am instructed to lodge protest with United States Government over negotiation for surplus properties transactions at this moment and to voice strong opposition to any infringement upon Chinese air sovereignty; cannot emphasize too strongly that Chinese Communist Party would never reconcile itself to such outcome negotiation and accept it as such. Nevertheless, should agreement to this effect be concluded between United States and Chinese Government, serious consequences may almost be foreseen instantly, to which United States Government could hardly shirk its share responsibility. In as much as outcome negotiation will most seriously jeopardize your peace-making effort, request that you would use your strong influence to secure United States Government's approval deferring negotiations for surplus properties transactions until such time as when peace and unified coalition government is definitely ensured to China. Chou En-lai."

With General Marshall's concurrence, Mr. Petersen and I issued joint statement denying charges. This statement which you can release for press in US is as follows:

"Shanghai—Howard C. [Petersen, the Assistant Secretary of War, and Thomas B.] McCabe, Special Assistant to the Secretary of State and Foreign Liquidation Commissioner, today made the following joint statement through the office of the American Consul General:

"We have noted the charges appearing in the press to the effect that we are engaged here in 'secret' negotiations with representatives of the Chinese Government for the sale to China of large amounts of surplus ammunition, weapons and other purely military items and that as part of the consideration for this sale China is to cede to the United States valuable civil air rights. These statements are without foundation in fact.

"Discussions are in progress looking toward the sale to China of surplus property now on the islands of the western Pacific having an estimated original cost of approximately 500 million dollars.

"No ammunition, no weapons, no airplanes of any type, nor other purely military items are among the surplus now being offered to China. All of this surplus is civilian-type or civilian end use items. We are of the opinion that its acquisition by China will be of vast benefit to the rehabilitation of China and to its peace time economy.

"Chinese civil air rights have not been discussed as part of the consideration nor will this form any part of the consideration of the sale

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<sup>37</sup> Correction based on record copy of protest in Marshall Mission files, Lot 54-D270.



of the surplus. Discussions on a civil air agreement,<sup>38</sup> are being carried on by Mr. Bolling R. Powell<sup>39</sup> of the U. S. Department of State, who was a passenger on the airplane which brought us to China but who is not a member of our surplus property mission. These discussions are completely separate from and unconnected with the surplus property negotiations.

"Mr. Powell stated that he is holding discussions with the Chinese Government on the question of a mutual bilateral civil air agreement of the type that has been successfully negotiated by the United States with about 18 other countries of the world, including France, Canada, Norway, Sweden, Holland, Portugal, and the United Kingdom. He also said that if a civil air agreement is successfully concluded its provisions will be publicly announced in a press statement."

Mr. Petersen and Mr. McCabe further said :

"If a sale of surplus property to China is successfully concluded, it will not be a secret agreement, and a detailed press statement will be issued or a press conference held."

Mr. Petersen and I are to discuss entire transaction with General Marshall tomorrow, 28th of August. [McCabe.]

[DAVIS]

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893.24/8-2846

*Memorandum by General Marshall to the President of the  
Chinese Executive Yuan (Soong)*

OSE 405

NANKING, August 28, 1946.

DEAR DR. SOONG: Mr. McCabe has just presented to me an outline of his proposal for the sale of an estimated five-hundred million dollars of original cost surplus property in the Western Pacific to China.

The thirty million dollars which has been proposed as an offset to the Yuan account to assist China in defraying costs of shipping, engineering services and other charges appears exceptionally liberal in consideration of the very low return to the U. S. for the property.

In connection with your request for credit assistance in carrying out your spare parts program, I will recommend that the Export-Import Bank extend a line of credit of a maximum of twenty-five million dollars to China for the purchase of spare parts in the United States with the understanding that China will present a documented case to the bank showing:

a. The quantity of new spare parts required and the need therefore after having carefully surveyed and deducted the total quantity of spare parts available from the surplus which China is about to purchase from the United States.

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<sup>38</sup> For correspondence on this subject, see pp. 1228 ff.

<sup>39</sup> Adviser, Office of Transport and Communications.

b. The plan of sale and distribution in China of the spare parts and evidence that the distributing agencies normally concerned with these spare parts are generally agreeable to the plan.

I am in agreement with the proposed terms of sale of the surplus to China if safeguarded by the employment of a capable firm or firms to supervise the outloading, rehabilitation, shipping, receiving and distribution of the property. Otherwise I fear—I almost feel certain—that there will arise so much confusion that the entire purpose of the transfer of this vast amount of material will be defeated.

I sincerely hope that the negotiations will proceed to a speedy conclusion.

Faithfully yours,

G. C. MARSHALL

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Marshall Mission Files, Lot 54-D270 : Telegram

*The Treasury Representative in China (Adler) to the  
Secretary of the Treasury (Snyder)*

SHANGHAI, 30 August 1946.

3130. 1. McCabe Mission spent 3 days in Manila conferring with US armed forces and FLC on Pacific surplus property availabilities and with Roxas<sup>40</sup> and McNutt on Philippine surplus property. Result of these conferences mission decided to withdraw surplus property in Philippines from offer to China because:

a. It was felt China could handle smaller amount of surplus property more effectively.

b. Roxas willing to negotiate purchase of this excess. McNutt indicated support of this position.

2. Accordingly McCabe prepared a proposal to T. V. Soong by which Western Pacific surplus property, excluding Philippines, estimated at \$500,000,000.00 original value, together with approximately \$134,000,000.00 of surplus property already sold to China (sales price [*original cost?*] \$524,000,000.00), \$90,000,000.00 (sales price \$16,000,000.00) in balance of small ship program for China, and \$85,000,000.00 of fixed installation (sales price \$6,000,000.00) would be sold to China in consideration of cancellation of the yuan debt, plus aggregate amount equivalent to \$25,000,000 to cover acquisition of real estate and a fund to establish for promoting cultural relations in accordance with Fulbright Act.<sup>41</sup> In addition, China's debt of \$5,000,000.00 due as 20% cash down payment on her purchase of West China Surplus

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<sup>40</sup> Manuel A. Roxas, President of the Republic of the Philippines.

<sup>41</sup> Approved August 1, 1946; 60 Stat. 754.

property last December<sup>42</sup> would be cancelled. Proposal includes condition.

McCabe decided to hold in reserve offer to China of US \$25-30,000,000.00 against Yuan debt to finance shipping costs and contractors' fees in return for which China would make available and equivalent for financing US government expenditures in China and for promoting cultural relations.

3. Mission arrived in Shanghai August 15. General Marshall returned to Nanking from Kuling August 20th and Mission saw him and Ambassador Stuart August 21st. They fully approved McCabe mission proposal. Mission saw Dr. Soong August 23. He appointed General Kiang of Board of Supplies and Blandford<sup>43</sup> to conduct negotiations for Chinese. Negotiations began August 23rd with Kiang and Blandford reporting current progress directly to Dr. Soong.

4. Chinese raised several objections to proposal, most important of which were:

a. Withdrawal of Philippine surplus from offer. This objection was overcome.

b. Absence of guarantees as to quality and quantity of surplus property. Objection on quality overcome, objection on quantity met by clause in contract providing for consultation to fix an appropriate adjustment in price paid, if there were material disparity between property turned over to China and the consideration given therefor by China.

c. Whereas tentative understanding reached in Nanking on June 21st provided for substantial credit to China for shipping costs, engineering contractors' fees, and costs of materials and spare parts, etc., new proposal contained no such provision. McCabe at this stage made offer of \$25,000,000.00 for shipping costs, raised in course of discussions to \$30,000,000.00, \$5,000,000.00 of which to be available for engineering contractors' fees and for initial purchase of spare parts, Chinese in return to increase sum of \$25,000,000.00 equivalent or purchase of real estate, etc., to \$55,000,000.00 equivalent. Soong and Chinese negotiators insisted they still needed credit of \$35,000,000.00 for acquisition of spare parts for rehabilitation of surplus property and proposed that commitment for Eximbank<sup>44</sup> loan for this amount be made condition precedent to agreement. McCabe emphasized and reiterated that he was in no position to commit Eximbank and would be acting *ultra vires* if he did.

Question of the Eximbank loan because [*became?*] major obstacle in negotiations. Conference was held with Soong on August 26th. After a review of all difficulties in which it was emphatically reiterated that [McCabe Mission?] had no power or authority to commit

<sup>42</sup> See Embassy telegram No. 2116, December 7, 1945, *Foreign Relations*, 1945, vol. VII, p. 1191.

<sup>43</sup> John B. Blandford, Financial Adviser to the Chinese Government.

<sup>44</sup> Export-Import Bank of Washington.



itself on Eximbank loan, Soong indicated he would be satisfied if General Marshall would recommend Eximbank loan for acquisition of spare parts. McCabe made no commitment on matter.

5. He and Petersen saw General Marshall on August 28th and General Marshall wrote to Soong agreeing to recommend an Eximbank loan of up to \$25,000,000.00 for Chinese purchases of spare parts "with understanding that China will present a documented case to the Bank showing: (a) The quantity of new spare parts required; (b) The plan of sale and distribution in China of spare parts and evidence that the distributing agencies normally concerned with these spare parts are generally agreeable to the plan". This letter overcame major Chinese objection and negotiations now proceeding rapidly.

6. McCabe has read and approved this cable. Possible that agreement could be signed tomorrow night and McCabe is anxious to avoid delay in signing lest Chinese raise further difficulties on small points. He would therefore appreciate flash reply from you in case you disapprove. He also asks that copy of this cable be given to General Connolly of FLC.

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Marshall Mission Files, Lot 54-D270 : Telegram

*The Secretary of the Treasury (Snyder) to the Treasury  
Representative in China (Adler)*<sup>45</sup>

[WASHINGTON,] 31 August 1946.

99201. In general, the Treasury has no objection to consummation of agreement outlined in your cable number 3130 of 30 August. The agreement is clearly within the understandings agreed upon and the terms of reference of the mission.

2. There is some concern over clause on quantity, which seems to be phrased in terms which would permit reopening of whole negotiations including valuation of Yuan advances. However, as long as future consultations would not involve quantity of surplus and, in any case, as a practical matter would only have impact on United States 55 million dollar local currency payment by Chinese, there would be no objection on our part.

3. In view of history, we believe it essential that total Yuan obligations of the United States Army, including WASC,<sup>46</sup> should be explicitly covered or else the course of the negotiations should be such as to permit reasonable assumption by the United States negotiators that they are covered.

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<sup>45</sup> Addressed also to Mr. McCabe for action.

<sup>46</sup> War Area Service Corps.

4. General Connolly, Lane <sup>47</sup> and representatives of General Richards <sup>48</sup> were consulted and concur in the above.

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893.24/8-3146 : Telegram

*The Consul General at Shanghai (Davis) to the Secretary of State*

SHANGHAI, August 31, 1946.

[Received September 1—6 : 43 a. m.]

1615. Following statements were issued August 31 by Consulate Press Office on behalf of Foreign Liquidation Commissioner McCabe.

Dr. T. V. Soong, President of the Executive Yuan, and Mr. Thomas B. McCabe, United States Foreign Liquidation Commissioner and Special Assistant to the Secretary of State, announced today the signing of an over-all agreement <sup>49</sup> for the bulk sale to China of certain US civilian type surplus property located in the Western Pacific and China in settlement of US-Chinese national currency indebtedness to China plus the equivalent of \$55,000,000 dollars (US) for other considerations of value to the US in China.

"The surplus property, newly acquired under this agreement, originally cost the United States \$500,000,000 (US) for the moveables in China, Okinawa, Guam, Saipan, Tinian, and other islands and \$85,000,000 (US) for the fixed installations in China. In addition, as an offset of \$74,000,000 (US) to the US indebtedness China is receiving approximately \$130,000,000 (US) original cost of other surplus property, \$90,000,000 (US) original cost of small ships, \$20,000,000 (US) original cost of West China surplus property. In order to facilitate the prompt loading and shipment of the property and its reconditioning for sale, it was agreed that a fund of \$30,000,000 (US) be created and set aside for the charter of US vessels, the payment of engineer services, and the initial purchase of spare parts as an additional offset against the US-Chinese national currency debt. This debt was incurred by the US Armed Forces in China in connection with the American war effort against Japan. In addition to the offsetting of this debt, the United States receives the equivalent of \$35,000,000 (US) for the acquisition of Embassy and Consulate build-

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<sup>47</sup> Chester T. Lane, Deputy Foreign Liquidation Commissioner.

<sup>48</sup> Maj. Gen. George J. Richards, Director, Budget Division, War Department Special Staff.

<sup>49</sup> Signed at Shanghai, August 30, 1946, Department of State Publication No. 2655, *Report to Congress on Foreign Surplus Disposal*, October 1946, p. 40. Also signed in Shanghai on August 30 was a supplement to the bulk sale agreement "with approval of General Marshall". Under its terms, China agreed to transfer to the United States specific real estate properties in Nanking and other Chinese cities "at prices to be determined by three recognized appraisers"; and to facilitate the transfer to the United States of other real estate properties "at mutually agreed prices". These properties had been selected by the American Embassy and Consulates for official use. The text of the supplemental agreement is included in telegram No. 1420, September 4, from the Embassy in China, (124.931/9-446).

ings and sites, and for financing US Government expenditures in Chinese currency. China also agrees to establish a fund equivalent to \$20,000,000 (US) for promoting research, cultural and educational exchange with the United States.

"The surplus property acquired is well suited to the needs of China's economic rehabilitation program, and, therefore, will be of great benefit in combatting the forces of inflation through the realization of substantial revenues from the sale of urgently needed civilian items. It does not include aircraft, ammunition, weapons or [any?] non-demilitarized combat material. The United States, in turn, will be able to speed up the demobilization of its remaining troops and the clearance of surplus property from the Pacific. The absorption of this property by the Chinese economy also will create a steady market for American products. The Board of Supplies of the Executive Yuan will be responsible for receiving and handling this property and China expects to employ an established American engineering firm or firms to assist in the over-all operation. China will utilize to the greatest possible extent established commercial distribution channels for the resale of the property in China and will give US distributors, established in China, an equal opportunity to bid for the property. Normal distribution practices, including the marketing whenever practicable, of name-brand products through the established agencies for such products will be followed. China is given 22 months in which to remove the surplus. In addition to the financial assistance for facilitation [of] the prompt loading and shipment of the property, China will be accorded the full cooperation of US forces in the various bases in the accomplishment of this task. China intends to begin importing the surplus to China at any early date and is planning to move a considerable part before the end of 1946."

Thomas B. McCabe, US Foreign Liquidation Commissioner and Special Assistant to the Secretary of State, made the following statement this afternoon upon the surplus property sale to China :

"The most significant features of the large bulk sale of the US surplus property in the Western Pacific to China are :

(1) The incalculable benefits to China of the huge volume of civilian type items which can be immediately distributed among its 400,000,000 people to start the wheels of commerce turning among its multitude of small businesses where an acute shortage of materials exists. China needs thousands of miles of new roads and the road building equipment it will acquire in this surplus transaction will make work for great numbers of its people and the new roads will provide means of transportation which are so desperately needed. In a country which is undergoing acute inflation, the impact of 1½ million tons of additional items will have a profound effect. The US policy is to assist China in attaining peace and unity and its objectives can only be attained by assisting in the restoration of China's economy. The surpluses which China has just purchased from US will go far in this direction, as they are promptly and efficiently distributed in all parts of the country.

(2) The advantages to the United States of this sale to China are obvious, as it will relieve US in the near future of the large expenses



of care and custody of huge quantities of material scattered among numerous islands of the Pacific, where many thousands of our troops are employed in caring for the property and where the expenses of maintaining these troops are obviously high. Deterioration of the property is evident because of the tropical weather conditions, and unless it is disposed of promptly its value will progressively become less and less. The price which China is paying US for the surplus property is quite fair and reasonable and includes the unique features of settlement to date of many heretofore unsettled accounts, including a balancing of our debt to China under the so-called 'Yuan Account', as well as providing the equivalent of \$55,000,000 (US) in Chinese currency for the acquisition of US Department of State property so acutely needed in China, providing certain funds for the payment of US expenses in China and a special fund for cultural, educational and scientific benefits to both countries. The total of all of the surplus property which China has purchased prior to this agreement, plus the new acquisitions amount to approximately \$800,000,000 (US) at original cost, exclusive of the West China purchases last year. For this the United States will receive an estimated dollar equivalent of \$175,000,000 (US), more than two thirds of which are cancellations of US dollar obligations to China. Therefore, the major proportion of this transaction has been made primarily for US dollars and not for credit."

Repeated Nanking as 922.

DAVIS

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## II. AGREEMENT REGARDING CHINESE PURCHASE OF THE CALCUTTA STOCKPILE

Marshall Mission Files, Lot 54-D270 : Telegram

*Colonel James C. Davis*<sup>50</sup> to General Marshall, at Chungking

[WASHINGTON,] 22 December 1945.

90012. During the War FEA<sup>51</sup> procured for shipment to China by way of India quantities of miscellaneous civilian type supplies known as "Charlie" type CDS<sup>52</sup> supplies. There now remains stranded in India approximately 60,000 tons of an estimated value of \$50,000,000. The largest item is 7,500 vehicles and spare parts. Upon termination of civilian Lend Lease assistance in September Mr. Crowley<sup>53</sup> of FEA offered to sell these supplies to the Chinese under section 3-c, Lend Lease Act,<sup>54</sup> against payment in 30 years

<sup>50</sup> Representative in Washington of General of the Army George C. Marshall, who was Special Representative of President Truman in China.

<sup>51</sup> Foreign Economic Administration.

<sup>52</sup> China Defense Supplies.

<sup>53</sup> Leo T. Crowley, Administrator of the Foreign Economic Administration.

<sup>54</sup> The reference is to section 3 (c) of "An Act to Promote the Defense of the United States", commonly known as the Lend-Lease Act, approved March 11, 1941; 55 Stat. 31.

with interest at  $2\frac{3}{8}\%$ . According to FEA-FLC<sup>55</sup> here China indicated its desire to accept this offer but it was then withdrawn by Crowley<sup>56</sup> with the statement that the disposition of supplies was to be considered in connection with surplus disposal policies. However the FLC and FEA felt that some moral obligation to the Chinese may still exist and accordingly the Deputy FLC Commissioner in China, General B. A. Johnson, on behalf of FEA has had discussions with the Chinese on the matter.

2. The present situation follows:

*a.* India-Burma Theater has custodial responsibility for these supplies.

*b.* The title remains with FEA.

*c.* The supplies have not been declared surplus to FLC by FEA pending clarification of any possible obligation to the Chinese as a result of the Crowley offer.

*d.* Custody of these supplies is now interfering with evacuation of India-Burma Theater.

*e.* General Johnson from Shanghai has notified FLC Washington that he proposes to resume discussions with Chinese on 23 December to obtain a statement of their interests. Results if any of previous discussions not known here.

*f.* In light of the situation in India-Burma Theater the War Department is pressing FLC and FEA to make a decision by 1st January. In interests of closing out India-Burma War Department prefers that supplies be declared surplus to FLC in order that disposal may begin promptly. War Department fearful of further prolonged negotiations and delay in connection with any special arrangement to sell to the Chinese.

*g.* FLC-FEA not willing to make decision here to declare supplies surplus or to set a deadline for Chinese decision without your coordination. Accordingly FLC has notified General Johnson to keep you fully informed.

3. It is recommended that you:

*a.* Notify State Department that discussions should be continued with a deadline date for finalizing the arrangements for purchase and acceptance of custody in India by the Chinese for example 10 January.

*b.* If however in view of your mission you consider it undesirable to permit the Chinese to make this purchase at this time, you notify State that these supplies should be declared surplus to FLC. In this event China might still bid for purchase of the supplies subject to right of prior purchase by India Government.

*c.* Notify General Johnson in Shanghai of your action.

OPD<sup>57</sup> comments follows: The War Department preference stated

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<sup>55</sup> Office of the Foreign Liquidation Commissioner (OFLC).

<sup>56</sup> In his letter of September 18, 1945, to Army-Navy Liquidation Commissioner Thomas B. McCabe, Mr. Crowley declared these supplies surplus and requested Mr. McCabe to arrange for their disposal.

<sup>57</sup> Operations Division, War Department.

by Davis in paragraph 2f above is based on India-Burma Theater's view that immediate declaration of surplus would result in earliest termination of Theater's custodial responsibility. From information here obligation if any to Chinese is too vague to justify further delay. While Chinese requirement for vehicles is apparent, prolonged discussions on terms and arrangements are unacceptable and finalizing of all arrangements by 10 January seems very doubtful. Therefore recommend property be declared surplus to FLC.

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to Colonel James C. Davis*<sup>58</sup>

CHUNGKING, 26 December 1945.

1285. Getting in touch with General Johnson for expression of opinion on rapidity with which negotiations can be carried out with the Chinese re 90012. Believe it desirable permit Chinese purchase of these supplies if they are prepared for early decision. You will be notified promptly.

New subject: I do not desire that transfer to the Chinese of 6 Liberty ships which was under discussion when I departed Washington be delayed by requesting my approval before final consummation. This transfer has my approval.<sup>59</sup>

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Nanking Embassy Files, Lot F79, 820 Surplus Property

*Brigadier General Bernhard A. Johnson to the Chargé in China*  
(Robertson)

[SHANGHAI,] December 27, 1945.

MY DEAR MR. ROBERTSON: In answer to your wire of December 25<sup>60</sup> with reference to 90012, I wired you this morning<sup>61</sup> regarding the meeting yesterday with Dr. Soong<sup>62</sup> and my hopes for an early acceptance, partial acceptance or rejection of the property in question.

Dr. Soong left this morning quite early for a trip up north, but the entire data which include an inventory (detailed) and a recapitulation, by categories, of the goods in question went to Dr. Peng Hsueh-

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<sup>58</sup> Telegram transmitted through the Adjutant General, War Department.

<sup>59</sup> The comments of Colonel Davis on this paragraph are included in Department's telegram No. 2079, December 29, 1945, *Foreign Relations*, 1945, vol. VII, p. 1200. For further correspondence on the transfer of shipping to China, see *ante*, pp. 786 ff.

<sup>60</sup> Not printed.

<sup>61</sup> Telegram No. 114, not printed.

<sup>62</sup> T. V. Soong, President of the Chinese Executive Yuan.



pei, Dr. Soong's personal representative here. I tried to impress upon them this morning that I had to have an answer almost at once.

Yesterday in the meeting with Dr. Soong he showed little interest in the supplies in India. But when I asked for a formal rejection, he then asked for the inventory. I have felt right along that the United States has no commitment to the Chinese Government on these supplies, they having been turned down by Dr. Soong last summer when Mr. Crowley offered him at 50 cents on the dollar.

The supplies in question total approximately 61,000 tons, of which 34,600 tons are in Calcutta, 20,300 tons in Chabua and 6,300 tons in Sukhur. Of the overall total there are a little in excess of 35,000 tons representing vehicles as follows:

At Calcutta unassembled	5571 trucks
At Calcutta assembled	107 trucks
In Assam assembled	1578 trucks

These trucks are heavy duty 3-ton Dodge vehicles and are especially adaptable to Chinese roads. It is possible that Dr. Soong will express an interest in only the trucks at Calcutta.

Of the balance of 36,000 tons, approximately 20,000 tons lie outside of Calcutta, and in my mind, unless the supplies are most critical for China, it would not be a very easy task, nor an economical job, to load on railway, unload at Calcutta, load on ship and unload at Shanghai, prior to distributing those goods in China.

You will doubtlessly recall that both [John] K. Howard<sup>63</sup> and I three or four weeks ago recommended to Washington that all of this 61,000 tons be declared surplus in India and sold in that market.<sup>64</sup>

The above résumé may be long-winded, but I want to bring you up to date, and just as soon as Dr. Soong, or his representative, gives us the final word, we shall wire you.

With best personal regards [etc.]

B. A. JOHNSON

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Nanking Embassy Files, Lot F79, 820 Surplus Property: Telegram

*The Chargé in China (Robertson) to the Consul General at Shanghai (Josselyn)*

CHUNGKING, January 5, 1946—11 a. m.

10. For General Johnson, FLC, re his cable<sup>65</sup> and letter Dec 27 concerning FEA materials mentioned in 90012. Concern is felt by General Marshall over fact that lack of immediate disposal of prop-

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<sup>63</sup> Central Field Commissioner, Pacific and China, OFLC.

<sup>64</sup> See telegram No. 16087, November 29, 1945, *Foreign Relations*, 1945, vol. VII, p. 1188.

<sup>65</sup> Telegram No. 114, not printed.

erty in India may delay deactivation of that Theater. However, he considers that material value of this property to China is of sufficient importance to delay final action if necessary for another 10 days. Suggest you immediately communicate with Soong, advise him that he will be given preference on tonnage in question up to—say—Jan 15. If reply not received from him by that date feel quite certain sale in India will receive General Marshall's approval.

ROBERTSON

Nanking Embassy Files, Lot F79, 820 Surplus Property : Telegram

*The Consul General at Shanghai (Josselyn) to the Embassy in China*

SHANGHAI, January 7, 1946—4 p. m.

5. From Johnson, Foreign Liquidation Commission, Shanghai.

"Soong has stated China wants only the FEA stockpile (in reply to Embassy's telegram No. 10, January 5, 11 a. m.) at Calcutta. India-Burma Theatre has been so advised by radio."

[Johnson]  
JOSSELYN

Nanking Embassy Files, Lot F79, 820 Surplus Property : Telegram

*The Consul General at Shanghai (Josselyn) to the Embassy in China*

SHANGHAI, January 10, 1946—5 p. m.

14. For Marshall from Howard and Johnson, Foreign Liquidation Commission :

"Refer to 90012 and overall instructions in 91760.<sup>66</sup> The Chinese Government has formally rejected FEA surpluses in India excepting supplies physically in Calcutta. The Calcutta stockpile comprises approximately 35,000 tons, of which 28,000 tons are approximately 5700 Dodge trucks (in view of 90760 [91760] we will not engage in discussion with Chinese Government on Calcutta supplies as to price or terms until instructed by you). Our recommendations are, considering that trucks are new, all but 107 still in crates, China's intense interest in Calcutta stockpile and that she is selectively purchasing, that the price on Calcutta stockpile be cost plus all transportation and that the full amount be set off against the Department [*debt?*] of the United States in United States dollars to China for the Chinese national currency advanced to the United States Army. There is

<sup>66</sup> Telegram No. 91760 of January 6, not printed ; it contained the text of President Truman's instructions to General Marshall. The text of the instructions was conveyed to the Embassy in Department's telegram No. 2022, December 19, 1945, *Foreign Relations*, 1945, vol. VII, p. 1376.

very active market for these same trucks and supplies in the Philippines and other areas and Foreign Liquidation Commission can sell for cash for full price. We are informed that the United States has an equally strong obligation to rehabilitate the Philippines as well as China. According to our information the estimated value of Calcutta stockpile, without transportation, is approximately 23 million dollars. Transportation would be 25% for landing in Calcutta plus actual cost of transportation from Calcutta to China. It is to be remembered that China has already once refused to buy this property and that consequently any moral obligation of our selling to China, though the supplies were originally procured for China Lend Lease, is questionable."

[Howard and Johnson]  
 JOSSELYN

Nanking Embassy Files, Lot F79, 820 Surplus Property : Telegram

*The Counselor of Embassy in China (Smyth) to the Consul General at Shanghai (Josselyn)*

CHUNGKING, January 17, 1946—7 p. m.

38. For Howard and Johnson from General Marshall. Agree with your recommendation re Calcutta stockpile. (Re Shanghai's No. 14 of January 10.) Please advise your Indian office accordingly. Question being taken up with Chinese authorities in Chungking where they will be offered terms you recommend and informed that quick decision necessary or otherwise trucks will be disposed of to the Philippines. [Marshall.]

SMYTH

Nanking Embassy Files, Lot F79, 820 Surplus Property : Telegram

*The Consul General at Shanghai (Josselyn) to the Embassy in China*

SHANGHAI, January 23, 1946—5 p. m.

47. Transmitting message from Johnson, Foreign Liquidation Commission, for Adler:<sup>67</sup>

In a letter to you Soong has written that in view of the need for husbanding China's foreign exchange resources the greater part of which will have to be reserved for currency stabilization he regrets that his Government is unable to consider any terms other than what would correspond to the West China Settlement,<sup>68</sup> that is, 20% in

<sup>67</sup> Solomon Adler, Treasury representative in China.

<sup>68</sup> See Embassy telegram No. 2116, December 7, 1945, *Foreign Relations*, 1945, vol. VII, p. 1191.



cash and the balance for repayment over a period of 30 years' time.

Soong's representative stated in conversation that he, Soong, is willing to buy the entire Calcutta stockpile on the above quoted terms which, with the addition of transportation, will amount to approximately 32 million dollars. This is 100% recovery. If Soong will not make an all cash offer even at 20% discount for cash, I am inclined to recommend if at all possible that the Calcutta stockpile be sold to the Chinese Government at 3c terms with down payment of 20 or 25% cash. Principal reasons for this recommendation are (a) China's need for these supplies and our need to be rid of them in order to meet plans for the Burma-India demobilization, (b) China is a prospective customer for considerable surpluses including a large amount of water craft, Admiral Mar's large order for shipbuilding and dock rehabilitation,<sup>69</sup> and others, China has furnished us large want lists for other surpluses, (c) if through this Calcutta deal we can set the overall plan and terms for the sale of any and all surpluses to China we are in a position to go forward now and dispose of a great deal of surplus.

Should Soong's tentative offer meet with Treasury approval, it would be my suggestion that there be added to the deal if possible the clause providing that the unexpended part of the C. N. debt be used to take up the 3c debt along the lines we were proceeding on in November.

Letter follows, please reply as soon as possible. [Johnson.]

JOSSELYN

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Nanking Embassy Files, Lot F79, 820 Surplus Property : Telegram

*The Counselor of Embassy in China (Smyth) to the Consul General at Shanghai (Josselyn)*

CHUNGKING, January 25, 1946—5 p. m.

53. From Adler to General Johnson. Calcutta stockpile. General Marshall has decided to make a final firm offer to Soong of 75 percent of cost, plus transportation, with 3-c terms of payment (Reurtel 47) provided that any excess of settlement of United States indebtedness to China for Army expenditures in China over China's indebtedness for Calcutta stockpile be applied to the immediate offsetting of China's debt on this stockpile. In the event that Soong returns to Shanghai before proceeding to Chungking, it would be advisable for you to inform him of this final firm offer in order to avoid delay. Should Soong not accept this offer, General Marshall instructs you to dispose of the trucks in the Philippines.

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<sup>69</sup> For correspondence on this subject, see pp. 1069 ff.

2. General Marshall has agreed to FLC proposal to declare stock-piles in Sukkur and Chabua surplus to FLC for normal surplus disposition as soon as formal rejection is received from China. [Adler.]

SMYTH

893.24/2-1346 : Telegram

*Brigadier General Bernhard A. Johnson to Mr. Thomas B. McCabe* <sup>70</sup>

SHANGHAI, 13 February 1946.

23072. Doctor Soong on behalf of the Chinese Government has today purchased the entire Calcutta stock pile on our terms which include the offset principle. The deal involves an amount slightly in excess of \$25,000,000. It is hoped that this meeting of minds sets the pattern for future sales of surplus property to China. The agreement was reached in a conference between General Marshall and Doctor Soong on February 12. We are today requesting WSA <sup>71</sup> and India Theater to cooperate with us in setting up shipping for the 36,000 tons involved to Shanghai ports. Please rush priced SPB forms to us. For your publicity purposes this Calcutta stockpile includes 5,700 new 3-ton Dodge trucks with 3 years [supply of] spare parts and tires and about \$5,000,000 in textiles, the above items badly needed in China. With the offset principle the deal amounts to a cash transaction.

893.24/2-1646

*General Marshall to the President of the Chinese Executive Yuan (Soong)*

[CHUNGKING,] February 16, 1946.

DEAR DR. SOONG: I was glad to learn that China had acquired the Calcutta stockpile. The terms under which the price was fixed at 66- $\frac{2}{3}$  percent of cost, plus 25 percent of 66- $\frac{2}{3}$  percent for original cost of transportation to Calcutta, plus \$15.00 per ton from Calcutta to Shanghai with port loading and unloading to be done by the purchaser, and under which the Chinese purchase will be offset against our Yuan obligations to you, are in my opinion eminently reasonable.

I was also glad to learn that real progress is being made toward coordinating the whole program of priorities and supplies for railroad and shipping so that representatives designated by your Government, UNRRA <sup>72</sup> and FLC can function together as one team.

<sup>70</sup> Foreign Liquidation Commissioner and Special Assistant to the Secretary of State.

<sup>71</sup> War Shipping Administration.

<sup>72</sup> United Nations Relief and Rehabilitation Administration.

With the establishment of the offset principle and the elimination of tedious negotiations over each deal, I am sure that the sale of surplus property to China on the most generous terms the circumstances will permit will go forward smoothly and expeditiously and thereby contribute greatly toward meeting some of China's most urgent requirements, particularly in the field of transportation. I have already taken steps to have the nineteen tankers in Singapore allotted for China and it is to be hoped that they will be available in fairly short order.

I should appreciate it if you would care to make comments on any specific urgent needs which we might be able to meet through FLC in your letter of acknowledgment.

Faithfully yours,

GEORGE C. MARSHALL

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893.24/2-1846

*The President of the Chinese Executive Yuan (Soong) to  
General Marshall, at Chungking*

[CHUNGKING,] February 18, 1946.

DEAR GENERAL MARSHALL: This will acknowledge receipt of your letter of February 16, 1946.

I am very happy that the Calcutta stockpile disposal has been settled to the mutual satisfaction of both parties.

As regards railroads, just as I have appointed the China Merchants Steamship Navigation Company to deal with General Johnson and UNRRA in all matters pertaining to shipping, I have made Mr. Peng Hsueh-pei, my representative in Shanghai, responsible to deal with all parties in matters regarding railroad equipment. I have also asked the Ministry of Communications to assign railroad technicians to work under Mr. Peng. He is known to General Johnson, and I feel certain that he will be able to clear all problems in an efficient and responsible manner.

As to your suggestion for naming specific urgent needs which might be procured through FLC, I am listing them herewith:

1. Telephone & telegraph equipment
2. Construction material, prefabricated housing, Niesen Huts, etc., for the critical housing shortage in Nanking.
3. Cement for railroads
4. Cotton cloth for civilian use
5. Textiles for army uniforms

I am most grateful to you for the results which have obtained in the shipping problem. It is most heartening to know that your great prestige is behind us in meeting our elemental needs.

Sincerely yours,

T. V. SOONG.



### III. CONTRACT REGARDING THE REHABILITATION OF CHINESE DOCKYARDS AND SHIPYARDS

893.24/1-1546

*Memorandum by Mr. H. Wendell Endicott<sup>73</sup> to  
Colonel Dave H. Morris, Jr.<sup>74</sup>*

WASHINGTON, 15 January 1946.

1. As long ago as last September, Rear Admiral P. T. Mar of the Chinese Navy, who was Chief of the Chinese Naval Construction Mission then visiting the United States, was discussing with the Navy the possibilities and the hope of purchasing such equipment as would reestablish the Kiangnan Dockyard. During the last war this dockyard built four 10,000-ton deadweight cargo vessels for the United States Shipping Board and six river gunboats after that, in addition to considerable amount of annual repair work for the U. S. Asiatic Fleet and merchant vessels. It is generally reported that this dockyard worked efficiently, effectively and was very reliable.

2. The Navy Department recommended to Admiral Mar certain types of equipment that they believed were essential and which they felt could be supplied from surplus. The question of payment in [on?] terms was discussed with the FLC but nothing definite was attempted at the time because Admiral Mar was to return to China, recheck on the dockyard requirements and then come back to the U. S. for final hoped-for conclusions.

3. Admiral Mar is at present in Washington and he finds that the dockyards are in better condition than he had at first believed, so that his requirements now would probably total in the neighborhood of five million dollars. Preliminary investigation on the part of the Navy in the Pacific would indicate that practically all of Admiral Mar's requirements can be filled from materials that can be declared surplus.

4. Admiral Mar reports that even at the present time the dockyards are working on U. S. Naval craft. There is every reason to believe that looking into the future these dockyards would continue to work on Naval craft as well as U. S. commercial crafts that may be in that vicinity. So, it is reasonable to assume that these repair works will play an important and needed part in future shipping.

5. In discussing the terms of payment, Admiral Mar has stated that he has discussed the matter with T. V. Soong<sup>75</sup> and T. V. Soong

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<sup>73</sup> Consultant for the Pacific, Office of the Foreign Liquidation Commissioner (OFLC).

<sup>74</sup> Director, Monetary Division, OFLC.

<sup>75</sup> President of the Chinese Executive Yuan.

has refused to allow Admiral Mar to consider or negotiate on the basis of his purchase being credited against the money that the U. S. owes the Chinese Government, on the basis that Soong has more important uses for that advantage. Admiral Mar would like to negotiate a loan of five million dollars with interest at  $2\frac{3}{8}\%$  over a period of twenty-five years, paying back \$200,000 a year. This he would pay in cash or in such services as may be rendered Naval vessels or American commercial ships.

6. The credit risk in this particular case would appear to be a fair risk as compared to other credits our Treasury has offered or is negotiating to offer. However, if the Treasury stands adamant that any loan to this dockyard must be credited against the money the U. S. owes China, then it would appear that the Liquidation Commission could not make this sale of five million dollars and Admiral Mar would have to operate his dockyards less effectively. Admiral Mar states that while the loan would be strictly a governmental transaction, it would be handled, nevertheless, by the Kiangnan Dockyard Division under the approval of the Chinese Government which would make the Chinese Government responsible for the payment of the \$200,000 each year, if for any reason the dockyard could not meet its obligations.

7. There always remains the great problem still to be solved as to whether or not there are sufficient customers in the Pacific that will be able to take all of the Pacific Army and Navy surpluses. What will happen to the remaining surpluses is anyone's guess. Under reasonable conditions FLC would regret to lose the opportunity of selling five million dollars' worth of surplus material.

8. Final determination as to whether or not negotiations can be consummated with Admiral Mar must be determined within a very short period, as otherwise it is believed the opportunity will be lost after Admiral Mar returns to China.

H. WENDELL ENDICOTT

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893.24/1-2346 : Telegram

*Mr. Thomas B. McCabe*<sup>76</sup> to *Mr. John K. Howard*<sup>77</sup>

WASHINGTON, 23 January 1946.

94268. This dispatch concerns Admiral Mar's \$5,000,000 requirements for his dockyards. Original offer \$200,000 payment per year for 25 years with 2 and  $\frac{3}{8}$  per cent interest[.] on [An] offer submitted today divides order into \$3,000,000 for equipment on 30-year terms

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<sup>76</sup> Foreign Liquidation Commissioner and Special Assistant to the Secretary of State.

<sup>77</sup> Central Field Commissioner, Pacific and China, OFLC, Manila.

2 and  $\frac{3}{8}$  per cent interest and \$2,000,000 credit for materials on short terms with cash payment. Either offer acceptable to him. Although contract requires approval of Chinese Govt and the dockyards are technically a Govt operation, nevertheless in practice it amounts to a commercial operation and is an individually operated division. As a matter of fact they are repairing today 6 American naval vessels. It is to be expected they will continue to repair naval vessels as well as U. S. commercial vessels in the future. On a business basis, it would appear to me to be one of the best credits that we can give under NAC terms.<sup>78</sup> However, Treasury up to date refuses to grant this credit unless the \$5,000,000 will be credited against the sum we owe China. Soong refuses this benefit to Mar and it looks as if this \$5,000,000 order which I understand could be supplied from Pacific surplus will be lost. There is one possible channel to separate this \$5,000,000 credit from the whole China picture if Marshall<sup>79</sup> believes the efficient operation of this dockyard is important. Under these conditions, we believe Treasury Dept. will consent to this credit as desired by Mar. We believe an effective operating dockyard in Shanghai is a happy and advantageous relationship with the U. S. I hope this entire situation has been called to the attention of Gen. Marshall. Admiral Mar leaving for China on Friday. Will call on Gen. Johnson<sup>80</sup> in Shanghai for situation to date.

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Marshall Mission Files, Lot 54-D270 : Telegram

*Brigadier General Bernhard A. Johnson to Mr. Thomas B. McCabe*

SHANGHAI, 8 February 1946.

22655. Reurad 94268, January 23. General Marshall and Admiral Cooke<sup>81</sup> of 7th Fleet both highly desirous of Admiral Mar's deal being completed. Admiral Cooke recently returned from conference with General Marshall and in FLC conference with Admiral Cooke he proposed that equipment and supplies needed by Admiral Mar to modernize the Kiangnan dockyards be sold to Mar and to be paid for completely by services rendered. The Navy is of the opinion that such an arrangement for a period of even longer than 25 years is of considerable advantage to them. Admiral Cooke is cabling CNO today.<sup>82</sup>

<sup>78</sup> Reference is to National Advisory Council policy adopted on January 15 concerning conditions for the extension of financial assistance to China. This policy was clarified in Department's telegram No. 103, January 17, p. 920.

<sup>79</sup> General of the Army George C. Marshall, Special Representative of President Truman in China.

<sup>80</sup> Brig. Gen. Bernhard A. Johnson, Field Commissioner, China and Eastern Area, OFLC.

<sup>81</sup> Vice Adm. Charles M. Cooke, Jr., Commander, 7th Fleet.

<sup>82</sup> Telegram No. 091355, February 10, to the Chief of Naval Operations, Fleet Adm. Chester W. Nimitz, quoted the text of this telegram.



1. Can FLC sell the supplies needed by Admiral Mar with payment to be made in services on the basis requested by the Navy?

If Admiral Mar's 5 million dollar want list cannot be made up from foreign surplus but must be delivered in whole or in part from equipment now in the United States then:

2. After the surplus equipment and supplies are declared by the owning agency in the United States can the Domestic Disposal Agency transfer the SPA 3 Forms to FLC Shanghai for sale by this office as foreign surplus to Admiral Mar?

If answer to queries is affirmative, then as soon as a complete want list is obtained from Admiral Mar here, we will notify your office and close the deal. His requirements are presently in the files of the Bureau of Yards and Docks in Washington. You may want to refer to the files of the Bureau to determine the answer to query number 2.

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Marshall Mission Files, Lot 54-D270 : Telegram

*The Commander of the Seventh Fleet (Cooke) to the Chief of  
Naval Operations (Nimitz)*

[CHUNGKING,] 10 February 1946.

090522. 1. Subject is arrangement for furnishing Chinese with ship repair equipment. Rear Admiral Mar of Chinese Navy is understood to have recently approached Navy Department for purchase of about 5 million dollars worth of equipment Kiangnan Dockyard at Shanghai.

2. I have recently conferred with General Marshall at Chungking on this problem. General Marshall has under discussion with the Chinese Government the matter of adjusting advance in funds made by Chinese Government to pay for US purchases in China (taking the position of treating such advances as reverse lend-lease) to the much larger lend-lease advances made by the US to China. General Marshall does not desire to compromise these negotiations by exceptions in regard methods of payment for specific projects. He does fully concur however that transfer of equipment to fit out dockyards to be paid by services to the United States can be handled as a special case advantageous both to the United States and to China.

3. Specifically it is proposed, and preliminary exploration by FLC representative General Johnson, the Chinese representative and US Navy representative is underway, that ship repair equipment which has become available by becoming surplus be furnished the Chinese Government in the amount of 5 million dollars; that payment for this equipment be made in the form of services to the United States

for ship repair of US Government vessels; agreement would provide that normal furnishing of such services by Chinese shipyard would not exceed an agreed percentage of shipyard capacity or an agreed percentage per year of the total value of the equipment furnished; emergency needs in excess of the normal maximum would be arranged for.

4. Advantages of this proposed arrangement are:

(a) Fits in with other arrangements being made by General Marshall with the Chinese Government.

(b) Provides United States with continuing overhaul and repair facilities in this area without any expenditure in funds or personnel other than delivery of surplus equipment. Inasmuch as it is anticipated US Naval units must continue in the China area, at a great distance from the nearest base at Guam or Samar, this arrangement provides continuing base facilities and provides them in a manner which obviates possibility of criticism by foreign power. In this connection General Marshall considers and I concur that an increase in the amount of equipment furnished with the corresponding increase in the number of years of payment is advantageous to the United States.

(c) This fits in with the United States policy to build up the Chinese Navy, including improvement of its repair facilities.

5. Further request can be made for equipment for the establishment of repair facilities in Tsingtao and other areas. If equipment is available it will be advantageous to make similar arrangements, preferably for material in Tsingtao.

6. This matter is subject also of dispatch 22655 from FLC Shanghai to State Department for McCabe which I am requesting be furnished Navy Department.

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893.24/2-1446 : Telegram

*Mr. Thomas B. McCabe to Brigadier General Bernhard A. Johnson,  
at Shanghai*

WASHINGTON, 14 February 1946.

47013. Re your 22655 and Com 7th Fleet 090522 to CNO proposal that ship repair equipment be transferred to Admiral Mar's Dockyard in exchange for agreement for services, does not appear possible under existing law. However Navy and ourselves will continue to pursue matter in endeavor to obtain regulation which would permit such a transaction. Will keep you advised. If possible secure from Adm. Cooke his estimate of the annual dollar service the Kiangnan Dockyards might be expected to render the Navy. Also secure the

same estimate from Admiral Mar for annual dollar service to Navy, also to US commercials.<sup>83</sup>

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Marshall Mission Files, Lot 54-D270 : Telegram

*General Marshall to the Commander of the Seventh Fleet (Cooke)*

CHUNGKING, 20 February 1946.

217. Refer your 170315.<sup>84</sup> I am somewhat confused at present state of basis of negotiations. Can not the matter be quickly settled with a simple general provision or reservation providing that the value of the surplus property involved will be met by services rendered US Navy in the dockyards concerned, the Chinese Government guaranteeing to our Navy immediate services in emergency cases and services of at least or not to exceed 25 percent of capacity as normal procedure. A time limit for settlement from both our naval and diplomatic point of view is undesirable in my opinion. The longer the period of settlement the better. Johnson's fears of difficulty in proceeding on such basis I believe can be met by clear explanation of what we are after. We will have to keep the radio exchanges with Washington above conservative planner and departmental contract official level. The procedure and purpose are both abnormal and should be handled accordingly.

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893.24/3-946 : Telegram

*Brigadier General Bernhard A. Johnson to Mr. Thomas B. McCabe*

[SHANGHAI,] 9 March 1946.

25226. 1. Referring to your wire of 8 March<sup>85</sup> reference Admiral Mar deal. We are sending Major John Edward Bell<sup>86</sup> to Washington on 12th March carrying with him tentative draft of contract<sup>87</sup> for the sale of the dock-yard equipment on 3c terms<sup>88</sup> but carrying the definite option on the part of the United States to take

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<sup>83</sup> In telegram No. 170315, February 17, from Admiral Cooke to the Chief of Naval Operations, the Navy estimated it could utilize between \$200,000 and \$500,000 worth of such services annually. Admiral Mar was cited as believing he could furnish \$500,000 worth of such services for the Navy annually "with some increase if contract labor employed" and as hoping he could exceed \$100,000 worth of annual repairs for American commercial vessels.

<sup>84</sup> Not printed, but see footnote 83, above.

<sup>85</sup> No. 99909, sent by Mr. McCabe to Mr. Howard, not printed. The section of this message dealing with the shipyard transaction is quoted from Department's telegram No. 412, March 6, p. 958.

<sup>86</sup> Director of the Sales Division, OFLC Shanghai Office.

<sup>87</sup> Not printed.

<sup>88</sup> Thirty-year credit at 2½% interest. The reference is to section 3 (c) of the Lend-Lease Act, approved March 11, 1941; 55 Stat. 31.



payment in services and defer all payments. This contract has the approval of Admiral Mar and Admiral Murray,<sup>89</sup> Fleet's representative here.

2. General Marshall and Admiral Cooke stress the importance of this dockyard in future Navy plans. It is recognized that FLC can probably not sell for services, but contract, as now written, places Admiral Mar under contract to furnish services if requested, gives United States right to determine duration of contract. It needs only authorization, statutory or high level decision, to exercise rights given United States.

3. This Mar deal, while at present amounts to but approximately \$7,000,000, will grow, in all probability, in size by schedules to \$15,000,000. I cannot impress too strongly General Marshall's and Admiral Cook's insistence that this deal be consummated as rapidly as possible. Major Bell is briefed on this subject and will answer all questions.

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Marshall Mission Files, Lot 54-D270 : Telegram

*Mr. Thomas B. McCabe to Mr. H. Wendell Endicott*

SHANGHAI, 14 March 1946.

25604. Reference your [*my?*] cable March 8<sup>90</sup> and Johnson's reply March 9 concerning Admiral Mar deal. Urge that you and Benno Schmidt<sup>91</sup> examine closely draft of contract for the sale of the dockyard equipment as being conveyed personally by Major Bell. If there is any question about desirability of the transaction then I suggest that you make appointment with General Marshall after arriving in Washington at end of this week and obtain first hand his views as I did in Tokyo day before yesterday. If proposed contract is legal then I would urge its confirmation, with any changes in draft which Benno Schmidt thinks desirable. If it requires broad interpretation of Surplus Property Act<sup>92</sup> and Benno Schmidt sees no objection to my assuming such broad authority, I am willing to concur in recommendation of General Marshall, Admiral Cooke, Howard and Johnson, as expressed in the proposed draft. Admiral Mar reports that Navy Bureau of Docks have his list of requirements and will make available items required and will ship them to Shanghai as surplus property.

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<sup>89</sup> Rear Adm. Stuart S. Murray.

<sup>90</sup> See footnote 85, p. 1074.

<sup>91</sup> Col. Benno Schmidt, General Counsel and Director of the Legal Division, OFLC.

<sup>92</sup> Approved October 3, 1944; 58 Stat. 765.

Marshall Mission Files, Lot 54-D270 : Telegram

*Major John Edward Bell to Brigadier General Bernhard A. Johnson,  
at Shanghai*

[Extract]

WASHINGTON, 20 March 1946.

26128. Admiral Mar deal proceeding satisfactorily. Conference held with Admiral Kennedy, Director of Ship Maintenance, Bureau of Ships, Colonel Shields, Monetary Division, FLC, Mr. Endicott,<sup>93</sup> Mr. Lane,<sup>94</sup> Mr. Cox, lawyer for Bureau of Ships, Commander Cleveland, FLC, Mr. Schmidt, General Counsel FLC. All approve the deal generally. The Navy has promised to give us a draft tomorrow including their recommended changes in original draft. These changes will probably be minor. They want assurances that the material transferred to the Chinese Government will actually be used in these dockyards and other minor changes. Colonel Shields has no objection from a monetary or credit angle but states there may be some complications from fiscal or accounting but this can be ironed out here. Mr. Schmidt approves the contract generally with a few minor changes. Mr. Endicott agrees entirely but raises the question of cost of transportation. He contends that the \$15 figure may not necessarily be correct and that we should add a clause allowing the Government to recover the actual cost of transportation. However, others here in FLC do not concur and feel that additional auditing cost etc. would not justify this change. But this is a minor point and will cause no trouble here. Will radio to you the revised draft<sup>95</sup> as soon as it is approved by FLC, Navy and Treasury which should be the latter part of this week. Am endeavoring now to have the Chief of Naval Operations here send message to ComSerPac<sup>96</sup> instructing them to start shipping the property to Shanghai. Will keep you informed.

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Marshall Mission Files, Lot 54-D270 : Telegram

*Mr. Thomas B. McCabe to Brigadier General Bernhard A. Johnson,  
at Shanghai*

WASHINGTON, 23 March 1946.

81917. From Bell. Mar deal approved yesterday in conference of FLC officials here and Vice Admiral W. S. Farber, Deputy Chief of Naval Operations, subject to the following changes.

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<sup>93</sup> H. Wendell Endicott, Deputy Foreign Liquidation Commissioner.

<sup>94</sup> Chester T. Lane, Deputy Foreign Liquidation Commissioner.

<sup>95</sup> See telegram No. 81917, *infra*.

<sup>96</sup> Commander Service Force, United States Pacific Fleet, A. J. Wellings.

[Here follow suggested changes in the draft contract.]

You are clear to proceed on this deal and sign contract as indicated above. Suggest you cable me at once whether or not this is entirely satisfactory so I may iron out any difficulties here on the spot.

Admiral Farber will issue instructions to have the material declared surplus without delay. [Bell.]

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893.24/3-2646

*Mr. H. Wendell Endicott to the Secretary of the Treasury (Vinson)*

WASHINGTON, March 26, 1946.

DEAR MR. SECRETARY: An agreement is presently under negotiation for the sale to the Republic of China of a quantity of surplus property, located overseas, of a character useful in the construction and operation of dockyard facilities. The proposed agreement provides for the payment by China of the fair value of the property in installments over a period of thirty years. It also grants to the United States an option to use Chinese dockyard facilities and services for the maintenance and repair of United States Navy and government-owned ships, within certain limits, and to credit the value of that use against the current installment obligation.

It is contemplated that the option to utilize the Chinese facilities will be exercised by the United States only when the Navy Department or other interested Department of the Government so desires, and it is understood that, in the event of the exercise of the option, the amount credited to the Government of China under the terms of the contract will be charged against the appropriation of the Department responsible for the exercise of the option.

In the absence of advice from you to the contrary, I shall assume that you have no objection to the agreement and the procedure as I have described them.

Sincerely yours,

H. WENDELL ENDICOTT

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893.24/3-2846: Telegram

*Brigadier General Bernhard A. Johnson to Mr. Thomas B. McCabe and Mr. H. Wendell Endicott*

SHANGHAI, 28 March 1946.

26846. 1. Revised Mar contract your 81917 satisfactory to all parties with the following change. Paragraph 7a (1) will read as follows:

"Such goods and services shall not exceed 25 percent of the capacity or facilities of the Kiangnan shipyards or dockyards and 25 percent



of the capacity or facilities of the Tsingtao shipyards or dockyards, at any one time. In this connection, such goods and services may be allocated by mutual agreement of the parties to the Kiangnan, the Tsingtao, or any other shipyard or dockyard now existing or which may subsequently be in operation under control of China and of adequate capacity to furnish goods and services at the time demanded."

This addition of the Tsingtao yards enlarges the contract, approximately doubling the dollars in the deal and doubling the service possibilities option in the future and is desired both by General Marshall and the Navy. The Chinese Government are delegating to one man the power to sign the contract for both the Kiangnan and the Tsingtao yards.

2. The Tsingtao want list <sup>97</sup> will be airmailed you in the next few days via special pouch and request speedy action on finding the supplies, declaring them surplus and shipping them.

3. I believe that General Marshall will be very interested in the final approval by all parties of this deal. He should be advised.

4. Please hasten the declaration of surpluses and the shipment of the supplies of the Kiangnan want list to Shanghai, consigned to the Kiangnan Dockyard, Admiral P. T. Mar. Mar is desirous that each shipment or each schedule of goods or supplies under this contract be insured. Can those arrangements be made by us in Washington for the account of the Kiangnan Dockyard? As soon as possible you should advise us which items cannot be supplied from surpluses.

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Marshall Mission Files, Lot 54-D270 : Telegram

*Brigadier General Bernhard A. Johnson to Mr. Thomas B. McCabe*

SHANGHAI, 30 April 1946.

29803. Reference your 240605 and 240634 <sup>98</sup> just received today. The so-called Mar contract will henceforth be known as the Dockyards contract, as Rear Admiral Chow <sup>99</sup> has been designated by the Chinese Government as China's signator on the contract. He, Admiral Chow, has copies of the contract and is now in Chungking to get Generalissimo's <sup>1</sup> final approval and the entire contract which will run somewhere between 10 and 15 million dollars, should be signed in the

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<sup>97</sup> Not printed.

<sup>98</sup> Neither found in Department files.

<sup>99</sup> Chow Hsien-chang, Deputy Director of the Chinese Ministry of Naval Affairs.

<sup>1</sup> Chiang Kai-shek, President of the National Government of the Republic of China.

next few days.<sup>2</sup> Copies of the Kiangnan and Tsingtao want lists have been forwarded to both the Manila office and our Washington office, incidentally twice in duplicate to Washington. Agree with you that as soon as contracts signed Admiral Chow or Admiral Mar should appoint an agent to accompany one of our men to follow through on the property involved. The Dockyards contract is satisfactory to all concerned as per Washington's suggestions and we have advised Washington regarding needed credits. As soon as the contract is signed we will get the expeditors started.

New Subject: After the Chinese buying commission has looked at the property on Okinawa and has seen the almost deplorable condition in which considerable amount of transportation, construction and engineering equipment, especially old Seabee equipment, is found, I conscientiously feel that even 50 percent of depreciated cost on all surplus is a good price, especially as much of the cream has been sold or shipped. I expect this week a definite proposal from Doctor Soong. This proposal will, I believe, be in the nature of a bid not to exceed 50 percent of depreciated cost on all surpluses in China, in Japan, on Okinawa and on other Pacific air bases up to the amount we want to sell them. I expect to take up the matter of overall price with Doctor Soong and General Marshall this week and I'll advise you of progress.

I realize that China should not have any better deal than UNRRA.<sup>3</sup> Frankly 75 per cent of every dollar that UNRRA buys with is the money that we are giving not loaning to UNRRA. In addition thereto, UNRRA China at least, is endeavoring to buy selectively at 50 cents on the dollar and since your contract was signed UNRRA has bought little or nothing from us because we will not sell selectively new goods at 50 cents on the dollar.

Part of our purpose in selling surplus to China is to rehabilitate China and if we sell at too high a price we thereby make her, China's, notes to us of less ultimate value.

To date I believe that the only fault that General Marshall has found in our, FLC, dealings is that we may have sold China at prices a little too high.

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<sup>2</sup> Contract (No. W-FLC (CH) 338 CN-1) not printed. It was signed, presumably in Shanghai, on May 15, by Brigadier General Johnson and Admiral Chow and was witnessed by Admiral Cooke and T. C. Chien, Mayor of Shanghai. Under its terms, the United States agreed to make available to China various surplus property, subsequently to be itemized and priced on schedules which were to be attached to the contract. The Chinese agreed to pay the purchase price, including packing, crating and transportation costs, in 30 annual installments at an interest rate of 2½% per annum. The United States was granted the option of securing, in lieu of annual cash payments, goods and services in the form of maintenance, repair and operating supplies to the U. S. Navy and U. S. Government-owned vessels at a rate not to exceed 25% of the capacity of the Kiangnan and Tsingtao yards.

<sup>3</sup> United Nations Relief and Rehabilitation Administration.

I believe that at 50 cents on the dollar depreciated cost that we will recover somewhere between 35 and 40 per cent. While the proposed formula will not apply to ships, airplanes or scrap, I believe that a recovery of 35 to 40 per cent on as much surplus property as will be involved in this deal is good and will be equal to or above the average.

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#### IV. REPRESENTATIONS REGARDING BAN BY THE CHINESE GOVERNMENT ON PRIVATE IMPORTS OF SURPLUS PROPERTY

893.24/9-1746 : Telegram

*The Consul General at Shanghai (Davis) to the Secretary of State*

SHANGHAI, September 17, 1946.

[Received September 18—8:52 a. m.]

1756. Executive Yuan of Chinese Govt has placed ban on importation of "American Army surplus goods" effective as of September 13. Ban imposed to prevent purchase of surplus goods by all private firms, in competition with the Govt, which has purchased all remaining Army surplus supplies in China and Western Pacific under over-all contract recently signed.<sup>4</sup>

Information being sought as to whether this ban applies only to new purchases of surplus goods or to import of such goods after September 13. Present information which has not been confirmed indicates possibility ban applies to all privately-owned surplus commodities regardless of when purchased. Full interpretation Executive [Yuan] Order will be sent soonest.<sup>5</sup>

Repeated Nanking as 998.

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893.24/9-2046 : Telegram

*The Consul General at Shanghai (Davis) to the Secretary of State*

SHANGHAI, September 20, 1946—11 a. m.

[Received September 21—6:06 a. m.]

1783. 1. Consulate General's representative has discussed with General P. Kiang, Director of Board of Supplies, Executive Yuan,<sup>6</sup> present ban on import of surpluses (Remytel 1756, September 17, repeated Nanking as 998). Kiang states ban was imposed specifically at

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<sup>4</sup> Signed at Shanghai, August 30, 1946. For text, see Department of State Publication No. 2655, *Report to Congress on Foreign Surplus Disposal*, October 1946, p. 40; for correspondence, see pp. 1033 ff.

<sup>5</sup> See *infra*.

<sup>6</sup> Generally referred to as BOSEY.



request of BOSEY in order to protect latter's projected program of surplus property sales and also to conserve Chinese foreign exchange.

2. BOSEY does not intend hereafter to permit import and sale of surpluses other than its own which were contracted for subsequent to June 23 when according to Kiang tentative agreement <sup>7</sup> was reached with General Marshall <sup>8</sup> to effect that Chinese Govt would buy Western Pacific surplus stocks in bulk subject to terms of contract to be negotiated. Chinese private interests subsequently negotiated in Philippines and elsewhere for surplus, the import and sale of which BOSEY maintains would jeopardize program being planned by it, and for which Govt is unwilling to permit dollar expenditures. Proposed procedure under ban is that BOSEY would take over any such imports unless they are needed items which are not available from BOSEY stocks, or unless BOSEY considers that their distribution will not conflict with Govt's sales program. Ban does not affect any surplus purchases prior to June 23 last, but will presumably make it impossible for U. S. agencies in China to dispose of surplus items, which they brought in duty free in local market without the specific consent of BOSEY.

3. In discussing possible effect on American business community of ban, Kiang stated that American importers were to be subject to same restrictions as Chinese importers and would not be permitted to bring in surplus for resale if similar commodities were available from BOSEY. Kiang stated that surplus items bought elsewhere for direct use here by American firms, such as oil tankers, would not be affected by ban whereas empty oil drums procured from surplus elsewhere would be refused import clearance because they are available from surplus stocks here and would be resold. American firms will therefore be warned to check availabilities from BOSEY before contracting for surplus elsewhere if such supplies are for indirect use or resale in China.

4. Discussion with Kiang disclosed that operation of ban had not been thought through very thoroughly by BOSEY. He has agreed to issue public announcement clarifying meaning of it. Department will be informed if actual restrictions imposed on imports appear to warrant protest by United States as being detrimental to American commercial interests or not in accord with overall surplus sales contract. Kiang asserts immediate purpose is to check speculative buying by private Chinese interests.

Repeated Nanking as 1006.

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<sup>7</sup> See memorandum by William E. Vogelback, June 22, p. 1041. Mr. Vogelback was then the appointed Central Field Commissioner, Pacific and China, Office of the Foreign Liquidation Commissioner (OFLC).

<sup>8</sup> General of the Army George C. Marshall, Special Representative of President Truman in China.

893.24/9-2546 : Airgram

*The Consul General at Shanghai (Davis) to the Secretary of State*

SHANGHAI, September 25, 1946.

[Received October 9—8:40 a. m.]

A-722. With reference to ConGen's telegram 1783 of September 23 [20] to Department, repeated to Nanking as 1006, paragraph 3, there is quoted below a letter sent to the American Chamber of Commerce in Shanghai under date of September 25, which was discussed fully in advance with the local FLC office and also with General P. Kiang of the Board of Supplies:

"The Consulate General has made inquiry as to the implications of the recent restriction, imposed by the Executive Yuan, on the import of surpluses through channels other than the Board of Supplies. This action was taken by the Chinese Government at the request of the Board of Supplies, and it is felt that the interpretation of the restriction as recently confirmed to us by General P. Kiang, Director of the Board, would be of interest to the American business community.

"General Kiang has informed us that surplus items procured for importation into China from sources in the Western Pacific subsequent to the latter part of June are covered by the new regulation unless specific permission from the Board of Supplies for their importation is obtained. It is the intent of the Board to block imports of any surplus commodities which would be resold in China in competition with its own program. It is contemplated that surplus property bought through the Foreign Liquidation Commission after being waived by the Board of Supplies and being imported for direct use by the purchaser will be admitted, however.

"General Kiang suggests that in the circumstances, it would be advisable for American firms to inquire as to availabilities from the Board of Supplies before making future purchases of surplus property outside of China, even when direct use is intended. Such a procedure would avoid any possible difficulty when an import clearance is sought later. He points out also that surplus items offered locally, which have been imported free of duty by U. S. agencies, will be subject to the new import restriction since they must be cleared through Customs.

"The foregoing summary of the Board of Supplies' position is furnished for your information. This action of the Chinese authorities has been brought to the attention of the Embassy and the Department of State, and instructions are awaited as to whether the regulation should be protested as contrary to the Surplus Property Disposal Act<sup>9</sup> in that it tends to create a monopoly in the sale of U. S. surplus property by the Board of Supplies. It will be helpful, in this connection, if the Chamber of Commerce will inform the Consulate General of the extent to which American business firms in China may suffer financial losses from the import restrictions described above."

<sup>9</sup> Approved October 3, 1944; 58 Stat. 765.

From preliminary discussions with representatives of the Chamber of Commerce, it does not appear that American business firms will be very much affected by the ban. General Kiang now states that he does not intend to interfere with imports of surplus property purchases for direct use by private interests which had previously been waived by the Board of Supplies in accordance with the instruction <sup>10</sup> which General Kiang states was issued by General Marshall on June 21. This presumably provided that FLC would not offer Western Pacific surpluses, pending completion of the negotiations with China, without giving the Chinese Govt. an opportunity to bid first. Since there are no American firms in Shanghai which are known to have bought surplus for resale, and since it was the generally established practice to secure in advance a waiver of any Chinese Govt. priority, it is believed that any imports of surplus already contracted for by American business concerns will be exempt.

ConGen would like to be informed as promptly as possible either through the Embassy or direct from the Dept. whether this ban should be protested by the U. S. Govt. as tending to create a monopoly in the sale of U. S. surplus property in China by the Board of Supplies. Such practices are presumably contrary to the principles of the Surplus Property Disposal Act, and to the conditions of sale set forth in the preamble of the agreement between the U. S. and the Chinese Govts. on bulk sale of surplus property in China. The Dept. and the Embassy, in reaching a decision in this matter should bear in mind not only the stated policy of the Board of Supplies to remove competition by such actions as described above, but also the present price policies of BOSEY.

General Kiang has previously confirmed his intent to secure the highest possible prices in the open market for BOSEY's sales as an anti-inflationary measure, and we were recently advised by Mr. John Blandford <sup>11</sup> that General Kiang hoped to contribute more than CN <sup>12</sup> \$100,000,000,000 to the Govt. budget between now and the end of the year from his sales program. A representative of the ConGen was informed by General Kiang recently that he was attempting to get US\$1,600 for jeeps which cost him US\$300 with an additional \$300 for repairs, and that he was allowing not more than a 7 percent commission to dealers. On the new 5-ton Dodge trucks which BOSEY took over from Lend-Lease, the sales price is established at CN\$14,000,000 (approximately US\$4,200) with a maximum commission of 7 percent to dealers. The question arises as to whether reputable distributors will be interested in handling

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<sup>10</sup> Possibly a reference to telegram No. 917, June 16, pt. 2, p. 1040.

<sup>11</sup> Financial Adviser to the Chinese Government.

<sup>12</sup> Chinese national currency.



BOSEY's supplies at such comparatively low service charges, and above all in carrying the spare parts and other supplies necessary for the continued repair and maintenance of these vehicles. There is also the possible problem of criticism being directed against the U. S. Govt. for permitting the Chinese Govt. to obtain such exorbitant profits on surplus property originating in the United States. It is, of course, not yet possible to gage the extent to which BOSEY sales may stifle normal distribution of commercial imports. It would appear that the policies being followed by BOSEY will not permit the implementation of the Surplus Property Contract which provides "That China shall utilize to the greatest extent possible established commercial distribution channels for the resale of property sold hereby."

It is requested that this airgram and preceding references be made available to the Dept. of Commerce on behalf of the Commercial Attaché.<sup>13</sup>

DAVIS

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893.24/10-746 : Telegram

*The Consul General at Shanghai (Davis) to the Secretary of State*

SHANGHAI, October 7, 1946—3 p. m.

[Received October 8—4: 32 p. m.]

1929 bis. 1. Difficulties being encountered by Standard-Vacuum Oil Company in securing import clearance for surplus property purchased from FLC in Guam and Tinian during August [as a] result preliminary negotiations beginning prior June 20 and valued in neighborhood of US dollars 1,000,000. Board of Supplies takes position that sale by FLC was violation terms Nanking agreements June 15, 16 and 21 <sup>14</sup> between Howard <sup>15</sup> FLC and Dr. Soong <sup>16</sup> and concurred in by General Marshall. Kiang of BOSEY states that these agreements clearly obligated FLC to hold for account of Chinese Pacific surpluses including those in Guam and Tinian pending conclusion of formal agreement, and that FLC had no right to make such contracts as one with Standard-Vacuum without first obtaining waiver from Chinese or without notifying Chinese Govt and that Nanking agreements were abrogated to that extent.

2. In discussing this matter with Kiang, Consulate General representative pointed out that Standard-Vacuum contract was a bona fide

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<sup>13</sup> A. Bland Calder.

<sup>14</sup> See memorandum by Mr. Vogelback, June 22, p. 1041.

<sup>15</sup> John K. Howard, then Central Field Commissioner, Pacific and China, OFLC.

<sup>16</sup> T. V. Soong, President of the Chinese Executive Yuan.

transaction on part of purchaser, that materials were for direct use of buyer, and that agreement of August 30 signed by two Governments section 1, paragraph 2 clearly exempted Standard-Vacuum transaction. General Kiang was also informed that use of import ban (see Mytel 1783, September 20; repeated to Nanking as 1006) to force settlement of basic issue described paragraph 1 above was not in accord previously stated principles of ban and was grossly unfair to Standard-Vacuum which is innocent third party in dispute. Kiang conceded this point but observed if he permitted exception in the case of Standard-Vacuum on this import without assurances that satisfactory settlement would be made by FLC with Chinese Govt for stated violation of Nanking agreement, he would create precedent for permitting without recourse entry of all sales by FLC on bases now taken over by Chinese.

3. Kiang also raised issue of whether or not prices paid by Standard-Vacuum for FLC purchases would not prove much lower than prices for similar items established by BOSEY in China. He argued that FLC had sold without authorization or consultation goods which had been tentatively transferred to Chinese Govt under paragraph 1 [of] Vogelback memorandum of agreements reached at Nanking, and that if prices charged were too low, this would have repercussions on his sales program here. He agreed, however, that this was fundamentally problem to be negotiated with FLC.

4. In view of the above it is desirable to receive promptly comments from Dept, Embassy and Manila on following points, bearing in mind that transactions in substantial volume will be affected if Kiang's arguments admitted.

a. Is US Govt prepared to concede basic Chinese point that Nanking discussions and preliminary oral understanding were binding on FLC to extent that surplus property on bases included in intended sale to China were in effect property of Chinese during course of negotiations leading to final agreement August 30 and therefore not subject to sale by FLC without Chinese permission?

b. If above admitted, is FLC prepared to settle with Chinese Govt for such sales, which would presumably mean crediting China with dollar proceeds received?

c. If we are not prepared to concede either of above two points now, are we prepared to negotiate with Chinese to reach some settlement of possible FLC failure to observe moral commitments in Nanking discussion which might have retained validity until final contract August 30 was executed?

d. In event no obligation under memorandum of Nanking agreement prepared by Vogelback is admitted by United States, can we inform Chinese that August 30 contract only is binding on this Govt and that all tentative understandings that may have been reached prior to that time are superseded by it?

5. Pending reply to above, position is being taken with Kiang as follows: We have no knowledge of confirmation of any specific understanding in course of Nanking or other negotiations that FLC would refuse or secure advance Chinese waiver on surplus sale prior to signing of formal written agreement between two Govts. FLC Shanghai completed execution of dollar contracts with established customers between June 15 and August 30 just as Guam and Tinian offices did and which were not protested by BOSEY. Failure to permit Standard-Vacuum surplus contract imports would not only cause criticism of BOSEY as per paragraph 2 above but would create claim for demurrage and other charges which would have to be recognized. Therefore we will strongly urge clearance for this import and negotiation at governmental level of any differences in interpretation arising out of Nanking discussions.

6. This message concurred in by Johnson<sup>17</sup> and Davis<sup>18</sup> of local FLC office who agree that clarification US views on Chinese interpretation of Nanking negotiations, particularly paragraphs 1 and 5 of Vogelback memorandum August [June] 22 is desirable. Both Johnson and Davis leaving for Manila this weekend and will discuss matter with Vogelback after which former will be asked to comment to Washington particularly on paragraph 4 above.

Sent to Dept as Shanghai serial 1929 [bis], October 7, 3 p. m.: repeated to Nanking as 1099 and to Manila as 89 for Vogelback FLC.

DAVIS

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893.24/10-946 : Telegram

*The Consul General at Shanghai (Davis) to the Secretary of State*

SHANGHAI, October 9, 1946—8 a. m.

[Received October 10—1:25 a. m.]

1947. 1. Kiang informed in writing October 8 our present position Standard-Vacuum contract as set forth paragraph 5 mytel 1929 [bis], October 7, to Nanking as 1099 and Manila as 89. He declined to give assurances that first shipload of Standard-Vacuum surplus property now en route would be cleared but said he would take matter under consideration bearing in mind our views.

2. Kiang informed at same time of reference basic issues to Washington for decision. Following points which he brought up in this connection appear relevant:

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<sup>17</sup> Brig. Gen. Bernhard A. Johnson, Field Commissioner, China and Eastern Areas, OFLC.

<sup>18</sup> Donald B. Davis, Deputy Field Commissioner, China and Eastern Areas, OFLC.



(a) Kiang maintains that submission to Chinese Government of copy of Vogelback memo June 22, and wording of same clearly indicate definitiveness of agreements reached.

(b) He argues that first paragraph of this not subject to further concurrence by other agencies than FLC; that Howard and Vogelback were prepared to have full authority to make final commitments on behalf FLC though perhaps not other agencies; and that Chinese Government definitely understood first exception of first paragraph Vogelback memo meant that no new sales would be made subsequent to June 22 by FLC without knowledge of Chinese and their waiver of same.

(c) Kiang states that freeze order subsequently issued by Marshall under paragraph 2 [of] Vogelback memo was only necessary to control actions of agencies other than FLC, and that date of freeze order substantiates Chinese position that FLC was obligated to cease all sales at conclusion of Nanking discussions.

(d) He stated unequivocally that he did not know of any contracts signed by FLC Shanghai during July and August and that he would have protested same had he been informed. (See paragraph 5 reference telegram). He added there were some instances where he felt FLC had proceeded contrary to agreements reached but that he had not made issue of these because he felt they were unintentional exceptions rather than the indication of FLC intent to ignore Nanking agreements.

3. Impression was gained during interview with Kiang that he intends to adhere to his position vigorously. He referred several times to his own anticipation and that of Dr. Soong that Washington would support Chinese contentions fully. While not stated directly, inference was clearly made that Kiang would use import ban to expedite satisfactory settlement with FLC, and to protect BOSEY if US did not make reasonable acknowledgement of Chinese position.

Sent Department 1947, repeated Nanking 1110 and Manila for Vogelback FLC as 83.

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896.24/10-1146 : Telegram

*The Acting Secretary of State to the Consul General at Manila*  
(Steintorf) <sup>19</sup>

WASHINGTON, October 11, 1946—4 p. m.

1450. From Connolly <sup>20</sup> and Starr <sup>21</sup> to Vogelback. Re Shanghai tel No. 89, October 7.<sup>22</sup> It is our view that August 30th agreement supersedes all previous tentative proposals or agreements and is the con-

<sup>19</sup> Repeated to Shanghai as telegram No. 1816.

<sup>20</sup> Maj. Gen. Donald H. Connolly, Foreign Liquidation Commissioner.

<sup>21</sup> Col. Edward Starr, Jr., Special Assistant to the Foreign Liquidation Commissioner.

<sup>22</sup> This telegram repeated No. 1929 bis, October 7, 3 p. m., from the Consul General at Shanghai, p. 1084.

trolling document. Desired is your opinion and proposed action in the circumstances. What significance need be given to policy outlined your No. 3719, Vogelback to McCabe,<sup>23</sup> 2 July? <sup>24</sup> Was this proposed policy presented to and orally agreed upon by Chinese officials and if so was it in your judgement superseded by August 30th agreement. [Connolly and Starr.]

ACHESON

893.24/10-1146 : Telegram

*The Acting Secretary of State to the Consul General at Shanghai*  
(Davis)

WASHINGTON, October 11, 1946—6 p. m.

1822. Dept understands Stanvac<sup>25</sup> suggesting Shanghai office attempt arrange for import *Balch* cargo<sup>26</sup> in bond pending decision matters at issue (your 1929 [bis], Oct 7). Dept feels import in bond if authorized would represent reasonable ad interim compromise present impasse and authorizes ConGen to support Stanvac's representations in foregoing sense.

ACHESON

893.24/10-1446 : Telegram

*The Consul General at Shanghai (Davis) to the Secretary of State*

SHANGHAI, October 14, 1946—8 a. m.

[Received 3:20 p. m.]

1990. 1. Consul General advised by both Kiang and Standard-Vacuum that BOSEY permitting import clearance of first shipment of latter's surplus property from Guam on following terms. (Re mytels 1929 [bis], October 7, repeated Nanking 1099, to Manila as 89; and 1947, October 9; repeated Nanking as 1110 and to Manila as 93 [83].) Standard-Vacuum will be required to establish bank credit equal to purchase value of incoming supplies for benefit of BOSEY. This credit, amounting in first instance to approximately U. S. \$150,000,

<sup>23</sup> Thomas B. McCabe, then Foreign Liquidation Commissioner and Special Assistant to the Secretary of State.

<sup>24</sup> *Ante*, p. 1043. The answer to this query was given in a teletype conversation between the OFLC Washington and Manila Offices on October 11. The Manila Office reported that "my radio of July second regarding earmarking of sales was a decision taken at meeting of field commissioners on June twenty ninth in which it was specifically understood and agreed that this decision would not be a commitment to China but would be used at the time in final negotiations as a spur to quick action and as trading material."

<sup>25</sup> Standard-Vacuum Oil Company.

<sup>26</sup> Cargo aboard S.S. *Allen C. Balch*.

will extend for 3 months, at the end of which time it will be payable to BOSEY unless satisfactory settlement with Foreign Liquidation Commission is accomplished meanwhile. Standard-Vacuum recommending home office approval of this procedure because of its need for the supplies purchased. If payment ultimately made to BOSEY, reimbursement will naturally be sought from United States Government.

2. Kiang advises that he will follow this procedure on all surplus property imports of purchases made from FLC between June 15 and August 30 including those in China, which he claims were property of Chinese after Nanking discussions and should therefore not have been sold. No record has yet been established either of the total amount involved or the number of purchases. The contingent liability for FLC settlement of future claims from original purchasers who have been penalized under the above procedure will be substantial, however.

3. Kiang further states that surplus property which was sold by FLC in other areas, such as Leyte, subsequent to June 15 will not be given import clearance at all unless waiver by the Chinese Govt was made in advance. He admitted confidentially that he hoped by this procedure to take over himself these contracts on the same terms as originally negotiated and to bring in the supplies for the account of BOSEY.

4. Regarding paragraph 2 Mytel 1947, October 9, following is text of letter located in FLC files and sent by Kiang to Johnson, June 19:

"This is to confirm our conversation yesterday with regard to the following:

1. In accordance with General Marshall's order, all US Army surpluses in China proper are to be frozen hereafter from the 17th day of June 1946.<sup>27</sup>

2. In case of any commitments on your part, the prices of which should be agreed upon by this office before actual sale takes place.

Your kind cooperation will be much appreciated".

While not yet brought up in any discussions with Kiang, it is felt that this letter may be cited later as supporting Kiang's agreement with Johnson and Howard, and confirmed to the former, that surplus property covered by Nanking agreements was frozen not only against return to the States but from sales to other than Board of Supplies.

5. Believe this and reference cables give as full exposition of Chinese position in this matter as is possible to obtain. In view of Vogelback's imminent return to Washington, it is suggested that final decision on US position in this matter might well be deferred until he returns, when Department can discuss all aspects of Nanking negotiations with Vogelback and Howard. Any final position taken

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<sup>27</sup> See telegram No. 917, June 16, pt. 2, p. 1040.



by Department will presumably have to be communicated to Chinese without benefit of support from the three FLC Nanking negotiators. Most desirable in Consul General's view that Chinese arguments be carefully considered, therefore, in determining final US position. Relative data not already submitted being forwarded in separate despatch.

Sent Department 1990, October 14, 8 a. m., repeated Nanking 1133 and Manila for Vogelback as 98.

DAVIS

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893.24/10-1446

*Brigadier General Bernhard A. Johnson to General P. Kiang of the Chinese Executive Yuan*

SHANGHAI, 14 October 1946.

MY DEAR GENERAL KIANG: With reference to our conversation of 12 October, I wish to set forth my understanding of instruments preliminary to the signed Contract of August 30. These instruments are:

- Exhibit 1—"The Nanking Agreements" dated 22 June 1946;<sup>28</sup>
- Exhibit 2—"Memorandum to Dr. Soong on the Proposed Sale of Civilian End-use Surplus Property to China" dated 21 August 1946;<sup>29</sup>
- Exhibit 3—Sheet showing commitments on August 20, 1946 by China, containing round figures;<sup>30</sup>
- Exhibit 4—FLC Maritime Division's sales of small ships up to August 30, 1946, to the Chinese Board of Supplies;
- Exhibit 5—Recapitulation of the Chinese Government credit account on August 25, 1456.

It must be remembered that on Exhibits 3 and 5 the figures are not accurate; but for the purposes for which they were intended at that time, were accurate enough to arrive at figures for basic computations.

You will remember that during the days from June 15-21 that Dr. Soong and yourself, as well as Messrs. Howard, Vogelback and myself, were endeavoring to arrive at a meeting of minds upon which an overall sale to China could be consummated to the mutual benefit of both countries. The so-called "Nanking Agreements" was handed to yourself and Dr. Soong on 22 June by Mr. Vogelback as a prospectus only upon which we could later build an overall agreement upon approval by the United States Government in Washington.

Despite the wording of the memorandum Mr. Vogelback handed to you and Dr. Soong which were entitled "Nanking Agreements", which

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<sup>28</sup> *Ante*, p. 1041.

<sup>29</sup> *Ante*, p. 1049.

<sup>30</sup> Exhibits 3, 4, and 5 not printed.

contain certain points which were not acceptable to the U. S. Government, I would like to emphasize that this was not an agreement but points tentatively agreed upon and were to be later used in formulating the ultimate agreement, and that the title "Nanking Agreements" is in reality a misnomer and should not be given any weight as being contractual in nature but as an agreement upon which later could be drawn the contract for execution by the representatives of both Governments being vested with authority to execute said contract.

I would like to take this opportunity to state that any other statements made in the so-called "Nanking Agreements" which were later not accepted by the U. S. Government and incorporated in the agreement executed 30 August 1946, are not binding in any respect and should not be considered in the construction of the contract finally consummated on 30 August 1946.

You will recall that Mr. McCabe and his party were originally due here in the last week in July or the first week in August. Around the middle of July, upon my hearing of the group's coming out here to endeavor to close an overall surplus sale with China, I told you of their contemplated arrival and it was certainly understood by both of us that some of the points in the "Nanking Agreements" were not satisfactory to the United States. I call your attention to Paragraphs 2 and 3 of the Memorandum to Dr. Soong dated August 21, wherein it is recited that objections to the "Nanking Agreements" were raised in Washington—then in Paragraph 4 where it was determined in Washington that the mission should come to China to negotiate the sale of this property. The "Nanking Agreements" not being satisfactory to the Government of the United States, the Memorandum to Dr. Soong became the proposal and only a prospectus upon which we hoped an overall sale could be consummated.

I call your attention to Paragraph 12 of the Memorandum to Dr. Soong. You will notice that round figures are used throughout that paragraph, and the figures shown as "\$150,000,000 (\$53,000,000 in sales price) of property already sold" on August 21 was an estimation. On Exhibit 3 in the first paragraph you will notice that in the total of \$158,000,000, Pasc <sup>30a</sup> fill-in of \$13,000,000 and the Guam list of \$11,000,000—total \$24,000,000—is included. As you know, the Pasc fill-in was cancelled temporarily and the Guam list (the list which has been ordered by one of your men at 65% of cost on his recent trip to Guam) should come out of the \$158,000,000 figure to get to a true American cost of what China had purchased up to August 20, 1946. That leaves the left-hand column in Exhibit 3 as \$134,000,000, although it is referred to in Paragraph 12 of the Memorandum to Dr. Soong as

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<sup>30a</sup> Presumably, "property already sold [to] China".

\$150,000,000. In the sales price column in Exhibit 3, in order to arrive at a sales price total, the Pasc fill-in and the Guam totals should be deleted, leaving approximately \$53,000,000 in sales price for this \$134,000,000 U. S. cost.

On August 30, 1946, the United States had signed tickets from China or an agreement to sign the following:

		<i>Cost Price</i>	<i>Sales Price</i>
Calcutta Stockpile <sup>31</sup>	appro.	\$30, 000, 000	\$24, 800, 000
Hogan Project <sup>32</sup>	"	\$15, 500, 000	\$5, 700, 000
Small Ship Program <sup>33</sup>	"	\$70, 700, 000	\$12, 300, 000
All Other	"	\$18, 500, 000	\$11, 300, 000
		<hr/>	<hr/>
		\$134, 700, 000	\$54, 100, 000

You will notice that this U. S. cost runs reasonably close to the \$134,000,000 in Exhibit 3 and also reasonably close to the sales price of \$53,000,000 in Exhibit 3. These items are covered by Articles 6a (a), (b) and (e) and partially Article 6a (c) of the Overall Contract. Under Article 6a (c) of the Overall Contract, there remains to be delivered approximately \$90,000,000 of small ships at a recovery of approximately \$16,000,000 to the United States Government.

For a considerable number of weeks this office sold to the Chinese Board of Supplies surplus property according to our agreement of June 10 at 65% of depreciated cost, each individual contract carrying a proviso clause that when, as, and if an overall sale were completed or consummated contracts would be renegotiated at the percentage set by the overall contract. It is agreed that if the "Nanking Agreements" had been approved by the various interested U. S. Government Departments in Washington and an overall contract signed by the U. S. Government and China based on the "Nanking Agreements" and such approval, that the proviso sales would have been renegotiated to 22% of U. S. cost. However, the "Nanking Agreements" was not acceptable to the Department of the United States Government having capacity to contract, hence the overall percentage of 22% recited in that prospectus cannot become operable.

When the Overall Contract was consummated on August 30, no overall percentage was named, hence the proviso clause on 65% sales becomes inoperable. Actually, the money total of the SPBs involved with the proviso clause is small, because many of your purchases—like

<sup>31</sup> For correspondence on this subject, see pp. 1060 ff.

<sup>32</sup> The "Hogan Project" involved sale to China of U. S. Air Force property of a declared value of \$15,436,564.97 which was in India at the end of the war. A verbal sales agreement was made by General Johnson and T. V. Soong on May 1; and a letter confirming the sale was sent by Johnson to the Director of BOSEY on May 13. Shipping tickets covering transfers of the property show a selling price of \$5,726,965.60.

<sup>33</sup> For correspondence on this subject, see pp. 786 ff.



the railroad equipment, engineer equipment, cement, rations, Oshkosh Victory, concrete barge, a total of some 7 or 8 million dollars—do not carry the proviso clause.

I remember very definitely during the discussions in August on Article 6 of the China Overall Contract that you were told that figures were approximate only, and one of the big reasons for Paragraphs (a), (b), (c), and (e) of Article 6a was to set out basically the amounts that China had already committed herself for against the Yuan debt. Actually, 65% of depreciated cost on the goods whose price you question, amounts to about 35% of U. S. cost. In each instance I feel certain that your located recovery on all those goods will very greatly exceed your cost.

The Overall Contract of August 30, to me, is very definite and it was certainly not anticipated nor considered by any of the negotiators that there would be any renegotiation on price of anything that China had committed herself for prior to August 30, 1946. The signing of the August 30th contract naturally supersedes and cancels all prior prospectuses or so-called agreements arrived at during the negotiation phase. Therefore, I inform you officially that no renegotiation of any SPBs sold at 65% is possible.

Please acknowledge receipt of this letter.

Sincerely yours,

B. A. JOHNSON  
*Field Commissioner*

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893.24/10-1546 : Telegram

*The Consul General at Shanghai (Davis) to the Secretary of State*

SHANGHAI, October 15, 1946—2 p. m.

[Received 2:25 p. m.]

1998. Stanvac advises they have no facilities for importation in bond here and such immediate need for *Balch* cargo that proposed procedure would not be practical. (ReDeptel 1822, October 11) Stanvac therefore recommending to home office acceptance of procedure outlined paragraph 1 Mytel 1990, October 14, repeated to Nanking as 1133 and to Manila as 98, and will request Kiang to clear *Balch* cargo on basis of having made this recommendation. Consul General believes oil company has no alternative under present circumstances but will not take any position this matter in order to avoid prejudicing in any way later negotiations between two Governments on solution whole.

Repeated to Nanking as 1139 and to Manila for Vogelback as 100.

DAVIS

893.24/10-1546 : Telegram

*The Acting Secretary of State to the Consul General at Shanghai  
(Davis)*

WASHINGTON, October 15, 1946—3 p. m.

1848. From Connolly, FLC. Reference your radios on Kiang's embargo [on] surplus sold others between 20 June and 30 August. This office discussed matter on telecon with Vogelback Manila who concurs our view that 30 August agreement supersedes all previous tentative proposals and is controlling document. Vogelback will call Donald Davis<sup>34</sup> to Manila and explain OFLC position this matter or will radio complete details to Donald Davis.<sup>35</sup> He has agreed that Donald Davis will then present position directly to Kiang. Have requested prompt action. [Connolly.]

ACHESON

893.24/10-2446 : Telegram

*The Acting Secretary of State to the Consul General at Shanghai  
(Davis)*

WASHINGTON, October 24, 1946—noon.

1918. From Connolly and Vogelback for Donald Davis FLC. Please radio present situation re Kiang matter. If satisfactory progress not being made, this office supports you in approach to General Marshall. If further action on Washington level is desired please advise. All possible expedition is desired to avoid assumption that delay implies consent.

Sent to Shanghai as 1918, repeated to Manila as 541. [Connolly and Vogelback.]

ACHESON

893.24/10-2846 : Telegram

*Mr. Donald B. Davis to Major General Donald H. Connolly and  
Mr. William E. Vogelback*

SHANGHAI, 28 October 1946.

295. Reur 1918 to Shanghai repeated 541 to Manila. After returning from conference held at Manila and Guam, Johnson and I

<sup>34</sup> Field Commissioner, China and Eastern Areas, OFLC.

<sup>35</sup> In undated telegram No. 5465 to Mr. Davis (received in the OFLC Shanghai Office on October 24), Mr. Vogelback stated that "the position of FLC is that the August 30th agreement is the controlling one document and supersedes all previous tentative proposals or tentative agreements including the Nanking understanding. No interview [other view] is tenable."

conferred with General Marshall, Butterworth<sup>36</sup> and Adler<sup>37</sup> at Nanking. They [were] fully informed [of] our previous discussions. All concurred that my next step be to notify "Bosey" of the FLC attitude and position regarding their recent actions. Communication to Kiang being dispatched today. Full text<sup>38</sup> of same being dispatched via State Dept Diplomatic Pouch to you. All interested parties concurred in communication. Will advise Kiang's reaction.

DAVIS

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893.24/10-2946

*Mr. Donald B. Davis to General P. Kiang of the  
Chinese Executive Yuan*<sup>39</sup>

SHANGHAI, 29 October 1946.

MY DEAR GENERAL KIANG: 1. On 16 September 1946, the Board of Supply imposed a ban, effective 13 September 1946, on the import into China of surplus property privately purchased from the Foreign Liquidation Commission subsequent to the latter part of June. The implications of this regulation were not discussed with the Field Commissioner in advance and the only notice received by this Office was through newspaper announcement. Bona fide customers of the Foreign Liquidation Commission have since protested this action to us and the United States Consul General as being discriminatory and not in accordance with Article One of the Agreement of 30 August 1946 between our two Governments.

2. This action by the Board of Supply was apparently taken as a result of your interpretation of Article One of the "Agreement Between The United States and China for the Sale of Certain Surplus War Property" executed 30 August 1946, and your contention that the tentative understandings, reached as far back as June, prior to the execution by our Governments of the 30 August Agreement, referred to above, should be taken into consideration and would affect sales made by offices of the Foreign Liquidation Commission. Without seeking any support for this interpretation from our office, the import ban was placed upon several shipments of surplus property sold by the Foreign Liquidation Commission, from Pacific Bases, during the period covered by the discussion phase pending the signing of the Agreement of 30 August.

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<sup>36</sup> W. Walton Butterworth, Jr., Minister-Counselor of Embassy in China.

<sup>37</sup> Solomon Adler, Treasury representative in China.

<sup>38</sup> *Infra*.

<sup>39</sup> Copy transmitted by Mr. Davis to Major General Connolly and Mr. Vogelback with memorandum of October 29.



3. On 14 October, General B. A. Johnson, Field Commissioner, Foreign Liquidation Commission, communicated with you by letter and expressed his views on this matter and other subjects. Meanwhile, this office, in conjunction with the local Consulate General, sought the view of those who negotiated said agreement, reviewed all relevant reference material, and obtained a decision from our Government.

4. The unanimous position of all the above enumerated sources and the decision of the Government in Washington is that the 30 August 1946 Agreement is the controlling document, and supersedes all previous tentative proposals or tentative agreements including those reached at Nanking, and that no other view is tenable.

5. This office will of necessity have to be guided and bound by the above decision. It appears therefore that the action taken on the part of the Board of Supply by invoking the import ban on the property sold during the period in question, does not conform with Article One—Sub-Paragraph Two of the 30 August 1946 Agreement, and should therefore be immediately revoked.

6. Your attention is invited to the fact that there is property included in the 30 August Agreement which might be imported into the United States of America with a very substantial return to China of United States Dollars. Such sales were presumably contemplated at the time the Agreement in question was reached in order to assist China in better utilizing the surplus property in her rehabilitation program. Without attempting to adjudicate any one case it is pointed out that the amount involved by firms seeking to import goods into China purchased for their own direct use from the Foreign Liquidation Commission and not to be sold in competition with Board of Supply, Executive Yuan, is negligible compared with the return China could receive from goods sold under the overall agreement which are available for import into the United States of America. It would be unfortunate if this potential source of dollar income were in any way jeopardized by discriminatory action of the Chinese Government on imports of Foreign Liquidation Commission sales into China.

7. It is therefore suggested in the future to prevent recurrence of misunderstandings, that any contemplated actions such as the recent import ban be held in abeyance until a decision on issues raised be adjudicated by competent authority. It is requested that immediate consideration be given the views herein expressed and a decision on the part of the Board of Supply be communicated to this office.

Very truly yours,

DONALD B. DAVIS  
*Field Commissioner for China  
and Eastern Asia*

893.24/12-646 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, undated.

[Received December 6, 1946—12:46 p. m.]

2049. Following official statement released by Board of Supplies of the Executive Yuan on December 4:

“Recently there was an attempt in the newspapers to review and interpret the China-US surplus property transaction, which in our opinion contained errors of fact and conclusion. The Board believes the public will be helped to a correct understanding of the transaction by these facts:

1. After prolonged negotiations an agreement was reached in Nanking on June 21 this year, after which the American negotiators returned to Washington to obtain final approval. The Government of China based its commitment to sign a formal contract on the obvious premise that the property would be kept intact during the intervening period. The nature of the property ranged from high value articles to scrap.

2. The price commitment of necessity assumed and required that amount of each type of property would not change. Negotiations were resumed in late August, and up to the time for formal signing there was no suggestion that there had been any change in the property under discussion. In fact convincing evidence of the intent and the effort to keep the property intact is borne out by the fact that only one major variation has so far been identified and both Governments are endeavoring [to adjust this. Plans and policies for transporting]<sup>40</sup> and disposing of this property have been carefully worked out which are completely in accord with the letter and spirit of the agreement. Well-known American companies have been employed to assist in reconditioning and transportation. To the maximum extent possible regular channels of distribution will be utilized. The pricing policy is designed to be anti-inflationary and at the same time not unfairly competitive with other distributors. The Board of Supplies hopes for the maximum cooperation of the trade and the public in making this operation one of maximum public benefit.

3. In the handling of the surplus properties, the Board of Supplies abides loyally by the spirit in which the overall contract was signed. Furthermore all materials are being disposed of through proper channels and without discrimination any party. The accounts of the boards are closely checked by the Ministry of Audit and can be shown to any bona fide organized bodies doubting the sale and distribution methods. Thus, the possibility of any surplus property being used to profit an individual in the Government can be ruled out. The insinuation made in this connection was obviously made by some commercial firms or individuals in the United States who sought to obtain some of

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<sup>40</sup> Bracketed insertion based on War Department telegram No. 6741, December 11, 1946, from Nanking.

the properties at low prices in order to make huge profits for themselves."

STUART

893.24/12-1246 : Telegram

*The Consul General at Shanghai (Davis) to the Secretary of State*

SHANGHAI, December 12, 1946—1 p. m.

[Received December 13—7:05 a. m.]

2470. For information Dept and FLC. It appears that total value of Standard-Vacuum surplus property purchases scheduled for import into China will not exceed \$400,000. Re Mytel 1929 [bis], October 7, repeated to Nanking as 1099 and to Manila as 89. See also Consulate General's despatch 557, December 4<sup>41</sup> and other references this subject. Against this, Standard-Vacuum has brought in approximately \$225,000 worth of supplies and posted the bank credit in accordance with procedure described in Mytel 1990, October 14, repeated to Nanking as 1133 and to Manila as 98. Information presently available indicates that above total is only amount affected by Bosey import ban where American firm as buyer from FLC is threatened with financial loss.

Repeated to Nanking as 1408 and Manila as 140.

DAVIS

893.24/12-1646 : Telegram

*Major General Donald H. Connolly to Mr. John B. Stetson, Jr.*<sup>42</sup>

WASHINGTON, 16 December 1946.

87724. Development in controversy re Bosey's position of China's equity on surplus sold by FLC subsequent to June 21, it is desired that you personally undertake settlement of this issue, this end and to give you the assistance of a member of this staff thoroughly familiar with McCabe's negotiations at Shanghai leading up to August 30 contract, this office has decided to send out Charles B. Kendall who was legal counsel to McCabe in Shanghai. Kendall will depart for Manila December 27. It is desired that you proceed with him to Shanghai as early after his arrival as possible to undertake composition this difficulty. You will have complete authority to settle. Meanwhile, instruct Shanghai office to hold entire matter in advance [abeyance] refraining from further discussion pending your arrival and reopening case.

CONNOLLY

<sup>41</sup> Not printed.

<sup>42</sup> Central Field Commissioner, Pacific and China, OFLC, Manila.



## REPRESENTATIONS AGAINST SOVIET REMOVAL OF JAPANESE INDUSTRIAL EQUIPMENT FROM MANCHURIA AS WAR BOOTY

893.00 Manchuria/1-2046 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, January 20, 1946—11 a. m.

[Received January 20—9:18 a. m.]

136. Last evening Vice Minister [for] Foreign Affairs Liu Chieh invited me to Foreign Office and, saying that Foreign Office wished to keep State Dept. currently informed of situation in Manchuria, gave me orally following information:

1. It now appears that Soviet forces will not be able to complete their withdrawal from Manchuria by February first, date agreed upon previously.<sup>1</sup> Soviet authorities gave limited transportation facilities as reason. Chinese authorities feel that, if that is the case, the delay should not be more than a few days and therefore see no necessity for any further formal extension of date. (Sent to Dept. as 136, repeated to Moscow as 17.)

2. Soviet Govt. has maintained that Japanese industries in Manchuria constitute war booty. In some cases where they have not taken away equipment, they have offered joint operation with Chinese. Chinese Govt. is not opposed to some form of economic cooperation with Soviet Govt., but cannot agree to the view that Japanese industries in Manchuria should be considered as war booty for Soviets. Any arrangement for joint enterprise in industrial field cannot be agreed upon until after withdrawal of Soviet troops from Manchuria and reestablishment of Chinese administration in Manchuria. Negotiations on this question are taking place between Chinese and Soviet officials in Changchun, but no agreement has yet been reached. This deadlock has added some difficulty to task of taking over administration of Manchuria.

SMYTH

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<sup>1</sup> For correspondence on this subject, see vol. ix, pp. 712 ff.

893.00/1-3046 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, January 30, 1946—9 a. m.

[Received January 31—4:30 a. m.]

188. From Harriman.<sup>2</sup> Generalissimo Chiang<sup>3</sup> told us Monday evening that his people in Manchuria have had discussions with Marshal Malinovski<sup>4</sup> regarding the Russian claim that Japanese industrial equipment in Manchuria are war trophies and subject to removal. (Repeated to Moscow for Kennan<sup>5</sup> as No. 22). Malinovski has indicated that the Russians were willing to leave this equipment in Manchuria providing they received shares of stock in the enterprises. He demands a 51% interest in heavy industries and a 49% interest in light industries. The Generalissimo estimates that the specific industries involved represent about 70% of Manchurian industry previously under the control of the Japanese. The Generalissimo states that he will under no circumstances give the Soviets 51% of the stock of any industry because of the Chinese law which forbids foreign control of Chinese industry. On the other hand he appears to be willing, in order to prevent the Russians from removing this equipment and thus destroying the economic life in Manchuria, to give the Russians a substantial interest in many of the industries. (He has no knowledge of the quantity of equipment already removed.)

It seems to me that we should not accept or condone the Soviet position. I have understood that it has been consistently our policy that Japanese industrial properties in Manchuria should be available for reparations, principally in China, for the damage done to China. The subject has never to my knowledge been taken up with us by the Soviet Government. The question of war trophies was raised by Stalin<sup>6</sup> with Soong<sup>7</sup> when the latter was in Moscow (reported in my Navy cable No. 081341, August 8, from Moscow.<sup>8</sup>) I informed Soong of the contents of the Department's reply (No. 1775, August 9, 1 p. m., to Moscow<sup>9</sup>) stating the United States Government position as described above. I did not, however, inform the Soviet Government as my instructions stated that I should do so only if the subject was raised by the Soviet Government with me. In addition Soong was

<sup>2</sup> W. Averell Harriman, Ambassador in the Soviet Union, en route to the United States.

<sup>3</sup> Chiang Kai-shek, President of the National Government of the Republic of China.

<sup>4</sup> Commander of forces of the Soviet Union in Manchuria.

<sup>5</sup> George F. Kennan, Chargé in the Soviet Union.

<sup>6</sup> Iosif Vissarionovich Stalin, Chairman of the Council of Commissars of the Soviet Union.

<sup>7</sup> T. V. Soong, President of the Chinese Executive Yuan.

<sup>8</sup> *Foreign Relations*, 1945, vol. VII, p. 958.

<sup>9</sup> *Ibid.*, p. 965.

not keen to have me raise the question for the reasons (1) that it might complicate the conclusion of the negotiations which were extremely difficult at that time, and (2) that Stalin's attitude as to the quantity of equipment the Russians would demand appeared to be a small percentage and Soong thought it would be best to leave the question for future negotiations.

The subject of Russian participation in Manchurian industry was, however, argued out by Soong in connection with the railroads. Stalin at first demanded that the coal properties and certain other industrial properties which had been associated with the railroads should come under the joint control of the railroad. Stalin later withdrew from this position and specifically agreed that only a few of the coal properties directly supplying the railroads should be included. The large Fushun Coal property was specifically excluded. Now the equipment of Fushun is on the list of war booty.

It seems to me that this is a case of vandalism and theft. The industrial equipment is of great value in place and has relatively small value if removed. Also, Stalin made it clear to President Roosevelt at Yalta that his demands for entry into the war were fully met by the agreement then reached.<sup>10</sup> This is another case of the Russians attempting to obtain more at a later date.

If we now acquiesce in the Russian demands for the ceding by China of an interest in these important industrial enterprises in return for the abandonment of their demands for war booty, Russia will dominate Manchurian industry and economy which will seriously affect American commercial interests and the whole policy of the open door. You will recall that in my conversation with Stalin in August (Embassy Moscow's No. 3077, August 27<sup>11</sup>) he accepted the open door policy and agreed to make a public announcement to that effect. However, this has never been done.

General Marshall<sup>12</sup> had advised the Generalissimo to delay his negotiations on the above matters until the agreement with the Communists is concluded. The Generalissimo has accepted this advice which seems to me wise, even though it may delay the withdrawal of Russian troops from Manchuria. The Soviets have indicated that they are unwilling to leave Manchuria until the question of war booty is settled.

I recommend, however, that this matter be given immediate attention and that our position be stated promptly to the Soviet Govern-

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<sup>10</sup> Signed February 11, 1945. For text, see *Foreign Relations*, The Conferences at Malta and Yalta, 1945, p. 984; for correspondence, see pp. 361 ff.

<sup>11</sup> *Foreign Relations*, 1945, vol. VII, p. 981.

<sup>12</sup> General of the Army George C. Marshall, Special Representative of President Truman in China.



ment. I believe that ways and means must be found to bring pressure on the Russians to take a more reasonable attitude.

I have discussed this message with General Marshall and he concurs. [Harriman.]

SMYTH

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893.00/1-3046 : Telegram

*The Counselor of Embassy in China (Smyth) to the  
Secretary of State*

CHUNGKING, January 30, 1946—10 a. m.

[Received January 31—3:12 a. m.]

189. From Harriman. Supplementing my message No. 188,<sup>13</sup> General Marshall and I had another long talk with the Generalissimo Tuesday evening, most of which can await my return to report. The Generalissimo, however, again brought up the question of the Soviet demand for an interest in Manchurian industry previously owned by the Japanese. (Sent to the Department as No. 189; repeated to Moscow for Kennan as No. 23.) He said he wanted us to know that he was unwilling to negotiate with the Russians while their troops were in Manchuria as he considered that any other course would affect Chinese sovereignty and would be a violation of the Sino-Soviet treaty.<sup>14</sup> He plans to prolong the negotiations until after the first of February at which date the Soviets are obligated to withdraw their troops. He believes that it is not the Soviet Government's present intention to withdraw its troops unless an agreement is reached on the industrial properties. However, he prefers to face this situation rather than make an agreement under duress. He said he was not yet ready to state how far he would be prepared to go in granting the Soviet Government minority interests in some of these industries as his economic advisors were studying the question. He agreed that the negotiations for political unification of China should be completed before bringing this question to an issue between China and the Soviet Union.

General Marshall and I believe that if the United States Government still maintains the position that Manchurian Japanese industrial properties are not war booty but should be available for reparations and that it is in our interest to resist the Soviet demands, we should do so promptly and independent of the Chinese-Soviet discussions. [Harriman.]

SMYTH

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<sup>13</sup> *Supra*.

<sup>14</sup> Signed at Moscow, August 14, 1945. For text, see Department of State, *United States Relations With China* (Washington, Government Printing Office, 1949), pp. 585-596; also, United Nations Treaty Series, vol. 10, p. 300.

893.00 Manchuria/1-2046 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, February 1, 1946—3 p. m.

198. Dept appreciates your reports on Manchurian developments (Urtel 136 Jan 20 11 a. m. and previous) and desires that you continue to maintain contact with Sino authorities with view to keeping us currently informed on matters of significance occurring in that area.

BYRNES

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761.93/2-146 : Telegram

*Mr. Max W. Bishop<sup>15</sup> to the Secretary of State*

TOKYO, February 1, 1946.

[Received February 3—6:38 p. m.]

74. From Harriman. T. V. Soong came to Shanghai to see me yesterday. He brought up among other things the Soviet claim to Jap industrial equipment in Manchuria as war booty and their present demand for a substantial interest in these properties in return for leaving the equipment in place. He recalled to me what he had told me in Moscow; namely, that when Stalin broached the subject of Soviet desires for some Japanese owned industrial equipment as war booty Stalin had indicated their demands would not be great. Stalin used the words "we will not be greedy".

Soong also confirmed what I stated in my first telegram from Chungking that in his negotiations with Stalin in August the first Soviet proposal contained language which could have been interpreted to mean that a considerable number of Japanese industries should be included with the railroads and placed under joint control. Soong refused to accept this language and insisted upon the more restrictive language eventually included in the agreement in order to avoid any possible construction that an interest in Japanese industries in Manchuria should pass to the Russians.

Soong feels that the present Russian demands are in direct violation of the Sino-Soviet Treaty and should be declined. He says that he personally feels that the Chinese would be better off to let the Russians take by force the equipment they insist upon as war booty even though there would be an immediate loss to Manchurian economy rather than to permit the Russians to have a permanent interest in Manchurian industry. He considers that even a minority interest

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<sup>15</sup> Foreign Service Officer on Staff of U. S. Political Adviser to the Supreme Commander, Allied Forces, Japan (MacArthur).

would give them domination of Manchurian economy and permanently affect the sovereignty of China in Manchuria. [Harriman.]

BISHOP

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893.60/2-946 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, February 9, 1946.

260. Please discuss the immediately following telegram<sup>16</sup> in regard to Manchurian industrial enterprises with General Marshall and be guided by his advice in taking action.

BYRNES

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893.00/1-3046 : Telegram

*The Secretary of State to the Chargé in the Soviet Union (Kennan)*<sup>17</sup>

WASHINGTON, February 9, 1946—5 p. m.

253. Dept desires that you present the following views to the Govt to which you are accredited in such manner as you deem will be most appropriate and effective :

Current reports of discussions between officials of the Chinese Govt and the Russian Govt with regard to the disposition and control of industrial enterprises in Manchuria give concern to this Govt.

The Sino-Soviet Treaty and agreements signed August 14, 1945, provide for joint Sino-Soviet control over certain trunk railways in Manchuria, but these agreements exclude reference to any similar control over industrial enterprise in Manchuria. It is the understanding of the US Govt, which was kept informed of the course of negotiations which led up to the agreements of August 1945 and which has accepted those agreements, that exclusive Sino-Soviet governmental control over Manchurian enterprise would be limited to the railways dealt with in the aforesaid agreements. It is therefore disturbing to this Govt to receive reports that discussions are under way which might result in the establishment of exclusive Sino-Soviet control over industrial enterprises in Manchuria. Under present conditions, when free access to Manchuria is not open to nationals of other powers and equality of opportunity in seeking participation in the economic development of Manchuria is denied Americans and other Allied nationals, it is felt that negotiation of agreements between the Chinese and Russian Govts with regard to industries in

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<sup>16</sup> See footnote 17, below.

<sup>17</sup> Same telegram, *mutatus mutandi*, sent to the Embassy in China as No. 261.



Manchuria would be contrary to the principle of the Open Door, would constitute clear discrimination against Americans who might wish an opportunity to participate in the development of Manchurian industry, and might place American commercial interests at a distinct disadvantage in establishing future trade relations with Manchuria.

Directly related to this matter of the industries in Manchuria is the matter of reparations policy for Japan because the major portion of the industries of Manchuria were Japanese-owned prior to the defeat of Japan. This Govt considers that the ultimate disposition of Japanese external assets, such as the industries in Manchuria, is a matter of common interest and concern to those Allies who bore the major burden in defeating Japan. This Govt is now preparing a general policy outline for consideration by the concerned Govts with regard to Japanese reparations. It will be suggested that an Inter-Allied Reparations Commission for Japan be established, and that one of the primary functions of this Commission will be the final allocation of Japanese external assets among the various claimant nations. It would seem, therefore, most inappropriate at this juncture for any final disposition to be made of Japanese external assets in Manchuria either by removal from Manchuria of such industrial assets as "war booty" or by agreement between the Russian and Chinese Govts for the control of ownership of those assets.

The Govt of the US desires to be cooperative with the Chinese and Soviet Govts in seeking a solution of the problems outlined above and it hopes that the other two Govts are animated by a similarly cooperative spirit. It would therefore appreciate being informed of any discussions which the two Govts may be having or may plan to have or any action they may have taken, in regard to the disposition or control of industrial enterprises in Manchuria and we would welcome full and frank discussion of the general problem.

You may state that a similar approach has been made to the Chinese Govt.

BYRNES

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740.0011 EW/2-1246 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, February 12, 1946—1 p. m.

[Received 3 : 50 p. m.]

274. After discussion with Gen. Marshall, I prepared a note to Foreign Office embodying views set forth in Dept's 261, Feb. 9 (received Feb. 11)<sup>18</sup> and handed it yesterday evening to Dr. Wang Shih-

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<sup>18</sup> See footnote 17, p. 1104.

chieh, Minister of Foreign Affairs. Dr. Wang said that he appreciated very much receiving views expressed by U. S. Govt which would receive the prompt and careful consideration of the Chinese Govt after which a reply would be made.

Dr. Wang said that the Russians continued to be difficult to deal with and that no agreements had been reached on Manchuria.

SMYTH

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893.00/2-1246

*Memorandum of Conversation, by the Secretary of State*

[WASHINGTON,] February 12, 1946.

Subject: Situation in Manchuria

The Chinese Ambassador <sup>19</sup> called at his request and stated that he had just returned to the city on yesterday.

The Secretary inquired about the status of the negotiations in China at this time.

The Ambassador said he first wished to tell the Secretary about the successful conclusion of the conference, which was very encouraging. Many Communist troops continued to fight at first but the situation was gradually getting better. The Ambassador stated that because the Communist troops were stranded in certain locations, they used this as an excuse to continue fighting. On the whole, he thought that generally things were quite all right.

The Ambassador stated that one of the most important questions of all was the question of merging the troops. Without that, there could be no unification in China. He said that before he left Chungking, he had had a talk with General Marshall, who seemed encouraged about the situation. The Communists had officially accepted General Marshall as adviser to the working committee. The Ambassador said that they were beginning to work with General Marshall on a preliminary plan of reorganization of the Army and were hopeful that something could be achieved.

The Secretary asked what the situation was with regard to Manchuria.

The Ambassador replied that this was a most difficult question. He added that the Russians were to have completed the evacuation of their troops from Manchuria by February 1, but as yet they hadn't even started. The bulk of their forces was still there. The Russians gave bad weather and difficulties of transportation as their reasons for not withdrawing, but the inside story was that they wished to consider all the industries as war booty.

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<sup>19</sup> Wei Tao-ming.

At first the Secretary understood the Ambassador to say, in reply to a question about war booty, that the statement was not official, but had been made repeatedly by the Russian authority in Manchuria. Later in the conversation the Ambassador said it was official.

The Ambassador said that up to now no conclusion had been reached with regard to Chinese claims for reparations in Manchuria. He thought that some pressure should be put on the Russians.

The Secretary inquired if the Russians had removed any material from Manchuria. The Ambassador replied that it wasn't so much a question of their removing material. It was more a question of the Russian troops remaining in Manchuria.

The Ambassador said that they had received a telegram from Chungking stating that the Russians have no intention to withdraw according to schedule. Secondly, Russia wishes to take the industries in Manchuria as war booty. He said that Russia's purpose in maintaining an army there was to exercise pressure in order to get a solution of the problem.

The Ambassador asked the Secretary if Molotov <sup>20</sup> had not discussed economic affairs with him at Moscow. The Secretary replied that Molotov had not made any claim. The Secretary said that in a talk he had had with Stalin, however, Stalin stated that they were going to stay in Manchuria until February 3 at the Chinese Government's request but that they did not expect to remain there. The Secretary said that at one time the Soviets did propose to him that they move out January 15 and we leave China January 15. I told them that that was an absurdity. He said he had explained to them at least a half dozen times that we had guaranteed to remove the Japanese from China and to restore to China the territory stolen from them by the Japanese. We have the primary responsibility and we would not leave there until the Japanese were evacuated from China. That is why we made General MacArthur Commander-in-Chief. Until the evacuation took place we would set no date for leaving.

The Secretary said he had explained all this to Stalin to his satisfaction, and he had admitted he understood it. We had no discussion about any claim regarding war booty and he did not know until recently that such a claim was made.

The Secretary asked if the Chinese were in Mukden and the Ambassador replied that they had a few troops there. The Secretary wished to know why they didn't have more troops there. The Ambassador replied that they couldn't get any more there. Every time they made a move, the Russians had to be informed.

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<sup>20</sup> V. M. Molotov, Soviet Commissar for Foreign Affairs.



The Ambassador said that his Minister of Foreign Affairs had asked him to deliver his greetings to the Secretary and would also like his opinion about the economic situation in Manchuria.

The Secretary replied that it was a question of the facts there. He said that he did not see how industries could be considered as war booty. If that is war booty, then everything was war booty.

It was at this point that the Ambassador declared that the Soviet request was official and that it was made about a week or two ago when the Soviets had talked with the Chinese Consul to Manchuria.

The Secretary wanted to know just what the Soviets said. The Ambassador replied that the Soviet formula is that they wish to regard that part of industry which supplied the Japanese Army during the war as war booty.

The Secretary said that some of the same problems had been raised in Germany. Certain of the plants had been moved out of Germany and there was a great deal of discussion with the Soviets at Potsdam<sup>21</sup> as to the definition of war booty. He told the Ambassador that it would be of value if he would get in touch with Mr. Vincent<sup>22</sup> of the Far Eastern Division, who was at Potsdam, to find out what happened there with regard to this matter. The Secretary said he too would speak with Mr. Vincent about the matter.

The Secretary asked what progress had been made with regard to the truce.<sup>23</sup> The Ambassador said that most of the troops have stopped fighting, but that the Communists had attacked several times since. The Secretary said that once this matter had been taken care of, we would be in a much better position ourselves to help with the question of having the Russians withdrawn.

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893.60 Manchuria/2-2046 : Telegram

*The Ambassador in the United Kingdom (Winant) to the  
Secretary of State*

LONDON, February 20, 1946—2 p. m.

[Received 3:17 p. m.]

2101. During course of general conversation this morning, Sterndale Bennett<sup>24</sup> mentioned account in today's *Times* of Secretary Byrnes' press conference where it was reported the Secretary had requested China and Russia for information regarding Sino-Russian

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<sup>21</sup> For correspondence on this subject, see *Foreign Relations*, 1945, The Conference of Berlin (The Potsdam Conference), vol. II, pp. 833-834.

<sup>22</sup> John Carter Vincent, Director of the Office of Far Eastern Affairs.

<sup>23</sup> Signed January 10, 1946; see vol. IX, p. 125.

<sup>24</sup> John Cecil Sterndale Bennett, head of the Far Eastern Department of the British Foreign Office.

negotiations about Manchuria. British press has recently carried numerous stories of alleged Russian actions in Manchuria most of them taken from American press and Sterndale Bennett expressed considerable concern over what the true situation might be. He stated he would appreciate receiving information of any formal approaches which U. S. may have made to China or Russia as British are seriously considering what their policy in this area should be.

Sterndale Bennett said it was difficult to decide on the basis of present information whether the Russians intended to stay in Manchuria only until they had managed to get from that territory all they wanted in the way of industrial equipment or whether they intended to stay permanently there. In either case he said it was a matter of concern and would necessitate HMG<sup>25</sup> giving thought on a high level as to what its policy should be and whether it might not be necessary "to show our teeth". Sterndale Bennett said he did not know what Mr. Bevin<sup>26</sup> had in mind on this problem but he did know that it was a source of worry particularly when viewed in the light of Russian action in other areas of the globe. Embassy would appreciate any detailed information on this subject which Department may have and which could appropriately be communicated to the Foreign Office.

WINANT

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893.60 Manchuria/2-2046 : Telegram

*The Secretary of State to the Ambassador in the United Kingdom*  
(Winant)

WASHINGTON, February 26, 1946—noon.

1789. From the Office of Far Eastern Affairs. Have you received Dept's airgram no. 334, Feb 13,<sup>27</sup> which answers your telegram no. 2101, Feb 20?

BYRNES

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740.00119 PW/2-2646 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, February 26, 1946—1 p. m.

[Received February 27—2:31 a. m.]

368. Dr. Wang Shih-chieh, Minister for Foreign Affairs, called me to Foreign Office last evening and said that Foreign Office reply

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<sup>25</sup> His Majesty's Government.

<sup>26</sup> Ernest Bevin, British Secretary of State for Foreign Affairs.

<sup>27</sup> Not printed; it repeated telegram No. 253, February 9, 5 p. m., to the Chargé in the Soviet Union, p. 1104.

to Embassy's note of February 11 regarding Manchuria (Dept.'s 261, February 9<sup>28</sup> and Embassy's 274, February 12) would be ready today. Dr. Wang then discussed Manchurian developments; his remarks are being reported by separate telegram.<sup>29</sup> FonOff reply dated February 25 was handed to Embassy this morning and full text thereof is quoted below :

*Begin Note:* I have the honor to acknowledge the receipt of your note of February 11 in which you were good enough to transmit to the Chinese Govt. the views of Secretary of State James F. Byrnes concerning discussions between officials of Chinese Govt. and Soviet Govt. with regard to Jap enterprises in Manchuria. It will be greatly appreciated if you will kindly communicate the following reply to Secretary State:

"The Chinese Govt. appreciates the US Govt.'s concern over the Sino-Soviet discussions and will be glad to take Secretary State Byrnes' views into careful consideration.

On September 3, 1945 a memo was presented by Chinese Ministry for (Foreign?) Affairs to American and Soviet Embassies in Chungking in which it was stated that in view of heavy losses sustained by China as a result of Japanese aggression in the years following the Mukden incident of September 18, 1931, Chinese Govt. had decided to take over all Japanese public and private properties as well as enterprises in China as a part of reparations to be claimed from Japan by this country and that Chinese Govt. requested US and Soviet Union to support the position taken by China and to instruct their troops stationed in all recovered areas of China to take necessary measures to prevent the enemy from resorting to acts of destruction, sabotage, concealment, removal or transfers. During Foreign Ministers' conference in London identic memos<sup>30</sup> to same effect were handed to Secretary State Byrnes and M. Molotov, Soviet Foreign Commissar on 13 and 18 of September respectively. In his letter replying to this memo<sup>30</sup> the Secretary State declared that he was entirely sympathetic with desire of China (1) to retain Japanese assets in China, (2) to have necessary measures taken by Allied forces to prevent the enemy from resorting to acts of destruction or sabotage in Formosa and other territory to be restored to China and (3) to receive a liberal percentage of and a liberal priority in respect to reparations to be taken from Japan.

The Soviet Govt. declared in a memo addressed to Chinese Govt. on January 21, 1946 that all Japanese enterprises in the Chinese northeastern provinces which had rendered services to the Kwantung [Japanese] Army were regarded by Soviet Union as war booty of Soviet forces. The Chinese Govt. considers this claim of Soviet Govt. as far exceeding the scope of war booty as generally recognized by international law and international usage and for this reason the two Governments have not been able to reach a unanimity of views of fundamental principles involved.

<sup>28</sup> See telegram No. 253, February 9, 5 p. m., to the Chargé in the Soviet Union, and footnote 17, p. 1104.

<sup>29</sup> See telegram No. 372, February 26, 3 p. m., vol. ix, p. 443.

<sup>30</sup> Not found in Department files.



In another memo presented to officials of the Generalissimo's Hqs in Changchun the Soviet Govt. declared that it proposed to hand over to China a part of the Japanese enterprises which Soviet Union regarded as war booty while remaining enterprises (including specified coal mines, power plants, iron and steel industries, chemical industries and cement industries) were to be jointly operated by China and Soviet Union. Chinese Govt. on its part has found it impossible to agree to this Soviet proposal because it goes beyond provisions of the Sino-Soviet agreements of August 14, 1945 and is contrary to the aforesaid stand of Chinese Govt. regarding Japanese properties and enterprises in China.

Secretary State Byrnes may rest assured that Chinese Govt. will keep US Govt. duly informed of future developments of the Sino-Soviet discussions.

As to the suggestion for establishment of an inter-Allied Reparations Commission the Chinese Govt. will be ready to express its views on the matter when details of the plan are supplied by US Govt.

With regard to withdrawal of Soviet forces from Manchuria no definite reply has been received from Soviet Govt. despite repeated inquiries made by Chinese Govt. The Secretary State is certainly aware of fact that there has been an agreement between Chinese Govt. and Soviet Govt. stipulating completion of withdrawal of Soviet troops from Manchuria on February 1, 1946. It is therefore hoped that Soviet Union will withdraw her forces from Manchuria without further delay as has been agreed upon between the two Governments." *End Note.*

SMYTH

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740.00119 PW/2-2646

*Memorandum of Conversation, by the Deputy Director of the  
Office of Far Eastern Affairs (Penfield)*

[WASHINGTON,] February 28, 1946.

Mr. Everson <sup>31</sup> called today and inquired regarding developments on the Manchurian situation. I explained that on February 9 we had addressed inquiries to the USSR and China through our Embassies at Moscow and Chungking regarding their intentions in connection with Japanese external assets in Manchuria and that a copy of our communication had been sent to London <sup>32</sup> for the information of the Foreign Office.

I said that no reply had been received from the Soviets but that we had received a reply from the Chinese, and I gave him the gist of Chungking's 368, February 26.

Mr. Everson asked whether he could have a copy of the Chinese reply for the information of his Government. I replied that I was not authorized to give him a copy but would inquire and inform him later if there were no objections.

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<sup>31</sup> Second Secretary of the British Embassy.

<sup>32</sup> No. 334, February 13, not printed.

893.00/3-546 : Telegram

*The Chargé in the Soviet Union (Kennan) to the Secretary of State*

Moscow, March 5, 1946—noon.

[Received 8:45 p. m.]

650. To the letter which I addressed to Molotov on February 11 in response to Department's 253, February 9, concerning Chinese-Russian negotiations about disposition and control of industrial enterprises in Manchuria, he has now replied as follows (sent to Department as 650; repeated to Chungking as 34) :

"In answer to your letter of February 11 concerning negotiations between the Chinese and Soviet Governments on the former Japanese industrial enterprises in Manchuria I inform you that the negotiations in question concern the question of the creation of Chinese-Soviet stock companies for the exploitation of a portion of the enterprises which served the needs of the Japanese Kwantung Army and which, in consequence of that, constitute trophies of the Red Army which smashed the Japanese Kwantung Army.

"Insofar as this is a matter of trophy property it is impossible to agree with the proposition set forth in your note that the question which is being considered in the course of the Soviet-Chinese negotiations is directly connected with the problem of Japanese reparations since the question of reparations is subject to consideration separate from the question of war trophies.

"It is also impossible to agree with the statement that the creation of the above mentioned Chinese-Soviet stock companies could lead to the establishment of exclusive Chinese-Soviet control over all industrial establishments in Manchuria, since, as is indicated above, only a portion of the industrial enterprises is being transferred to the administration of the Chinese-Soviet stock companies. As regards the statement that the above mentioned Chinese-Soviet negotiations constitute discrimination with respect to Americans and are in conflict with the principle of the Open Door, that statement, as will be seen from the above, is without any substantiation whatever."

Department will note from this reply following points:

1. Molotov defines as "war trophies" any property which "served the needs" of Kwantung Army and maintains that such property does not come into question from standpoint of reparations.

2. He implies that USSR is sole judge of what property comes under this category. This interpretation would apparently make it possible for Russians to seize without limitation and remove from possible reparations fund any property which pleases their eye in Manchuria since it leaves no room for questioning of their decision by any other government.

3. This attitude is flatly in conflict with our proposal for treatment of Japanese reparations as set forth in Department's 349, February 28.<sup>33</sup> (This proposal has not yet been communicated to Russians.)

<sup>33</sup> Not printed.

4. Molotov quotes me incorrectly in referring to an assertion that creation of Chinese-Soviet companies could lead to establishment of exclusive Chinese-Soviet control over all industrial establishments in Manchuria. My letter nowhere stated this. Pertinent passage of my letter was as follows:

"It is therefore disturbing to my government to receive reports that discussions are under way which might result in the establishment of exclusive Sino-Soviet control over industrial enterprises in Manchuria. Under present conditions when free access to Manchuria is not open to nationals of other powers and equality of opportunity in seeking participation in the economic development of Manchuria is denied Americans and other Allied nations, it is felt that negotiation of agreements between the Chinese and Soviet Governments with regard to industries in Manchuria would be contrary to the principle of the Open Door, would constitute clear discrimination against Americans who might wish an opportunity to participate in the development of Manchurian industry, and might place American commercial interests at a distinct disadvantage in establishing future trade relations with Manchuria".

5. Last paragraph of Molotov's letter constitutes admission that proposed arrangements would result in establishment of exclusive control of some enterprises.

KENNAN

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740.00119 P.W./3-546 : Telegram

*The Secretary of State to the Chargé in the Soviet Union (Kennan)*

WASHINGTON, March 5, 1946—8 p. m.

392. Please advise the Soviet Govt substantially as follows:

The concern of the US Govt over reports of discussions as to the disposition of Japanese industrial enterprises in Manchuria was communicated to the Soviet Govt on (here insert date of your note on this subject).

A similar expression of concern was communicated to the Govt of China. A reply has now been received from the Chinese Govt. In this reply the Chinese Govt states (1) that the Soviet Govt informed the Chinese Govt on Jan 21, 1946 that all Jap enterprises in Manchuria which had rendered services to the Jap Army were regarded by the Soviet Govt as war booty of the Soviet forces; (2) that the Chinese Govt considers the claim of the Soviet Govt as far exceeding the scope of war booty as generally recognized by international law; (3) that therefore the two Govts have not been able to reach a unanimity of views on the fundamental principles involved; (4) that in a memorandum presented to Chinese Headquarters in Changchun the Soviet Govt declared that it proposed to hand over to China a part of the Jap enterprises which the Soviet Govt regarded as war



booty while remaining enterprises, including specified coal mines, power plants, iron and steel industries, chemical industries and cement industries, were to be jointly operated by China and the Soviet Union; and (5) that the Chinese Govt has found it impossible to agree to this Soviet proposal because it goes beyond the provisions of the Sino-Soviet Agreements of August 14, 1945 and is contrary to the stand of the Chinese Govt regarding Jap properties and enterprises in China.

No reply has been received from the Soviet Govt to the inquiry of the Govt of the US. On the basis of the information contained in the reply from the Chinese Govt, the Govt of the US wishes to express its full concurrence in the position taken by the Chinese Govt, and to re-emphasize the position taken in its previous note on this subject. This Govt does not accept any interpretation of war booty to include industrial enterprises, or the components thereof, such as Jap industries and equipment in Manchuria, and it therefore cannot accept the assertion made by the Soviet Govt, as reported by the Chinese Govt, that these industrial enterprises are subject to consideration as war booty. As stated in this Govt's previous note, the ultimate disposition of Jap external assets such as the industries of Manchuria is a matter of common interest and concern to those Allies who bore the major burden in defeating Japan. The US, as a major participant in the war against Japan, cannot recognize any final disposition made of Jap external assets, including industrial property, either by the Soviet Govt or by agreement between the Soviet and Chinese Govts, without its prior approval; and it cannot agree to the removal of industrial properties from Manchuria as war booty and if any such properties have been so removed it will expect to receive a full accounting thereof.

The Govt of the US cannot and would not interpose objection to free discussion between the Soviet Govt and the Chinese Govt in regard to the future industrial development of Manchuria but it is firmly convinced that these discussions should only take place after the Chinese Govt has been able to resume administrative control over Manchuria and the governments and individuals of other nations are also in a position to discuss with the Chinese Govt industrial development in Manchuria. Only thus can the principles of the Open Door and equality of opportunity be preserved with respect to Manchuria.

In conclusion, the Govt of the US expresses its sincere hope that the views expressed by this Govt, and by the Chinese Govt, are being given consideration by the Soviet Govt in the spirit of international cooperation which, in fact, prompted their enunciation, and that the US Govt may receive assurances from the Soviet Govt that it does not desire to press for a solution disregarding these views.

BYRNES

740 00119 PW/3-646 : Telegram

*The Counselor of Embassy in China (Smyth) to the  
Secretary of State*

CHUNGKING, March 6, 1946—5 p. m.

[Received March 6—12:55 p. m.]

437. During a conversation this afternoon with Foreign Minister Wang Shih-chieh, he referred to a Central News report from Washington dated March 5 and published here today concerning release by State Department <sup>34</sup> of Secretary's notes to Chungking and Moscow on Manchuria and excerpts from Chinese reply; the news report stated that "Russia has also replied to Byrnes' note." Dr. Wang said that he would appreciate very much receiving any information Department might wish to make available concerning Russian reply in question.

Dr. Wang then remarked that on three occasions he had inquired of Soviet Ambassador Petrov as to date on which Russian troops would leave Manchuria but that each time Petrov replied he had no information. Dr. Wang said that Chinese Government was now considering sending a note to Soviet Government, formally requesting that Russian troops leave Manchuria immediately. He said he would keep us informed of developments.

Dr. Wang appeared considerably heartened by recent attitude of Soviet Government.

SMYTH

893.00/3-746 : Telegram

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*The Secretary of State to the Chargé in the Soviet Union (Kennan)*

WASHINGTON, March 7, 1946—7 p. m.

416. Dept desires that you present the note to the Soviet Govt substantially in the form contained in telegram no. 392, Mar 5, 8 pm. At the same time and in such manner as you deem appropriate (as an addition to the note or as a covering letter) you should express the following views to the Soviet Govt;

Subsequent to preparation and dispatch of the foregoing (or attached) note, the US Govt received the Soviet Govt's reply to this Govt's previous note in regard to disposition of industrial enterprises in Manchuria, and regrets to state that it does not find the Soviet note responsive. The statements in the Soviet note substantiate the concern expressed by the US Govt but they do not in any way invalidate the position taken by this Govt.

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<sup>34</sup> Department of State *Bulletin*, March 17, 1946, p. 448.

The US Govt regards as unprecedented and inequitable the Russian contention that enterprises in Manchuria which served the needs of the Jap Army constitute trophies of the Red Army. Jap external assets in the form of industrial enterprises in Manchuria are on the territory of a friendly Ally which for 8 years resisted Jap aggression. The US Govt can find no justification for the Russian contention that consideration of those industrial enterprises as reparations is a subject separate from the question of war trophies. As a matter of fact, the US Govt has already informed the Chinese Govt, and the Soviet Govt, of its position that title to all Jap-owned property in countries at war with Japan and invaded or occupied by the Japanese shall be taken by the country in which such property is physically located with its value charged against that country's reparations claim. It hopes to receive Soviet concurrence in this position.

With regard to violation of the principle of the Open Door, the US Govt has not made reference to the establishment of an exclusive Sino-Soviet control over all industrial establishments in Manchuria, but it has expressed the belief, and continues to believe, that Sino-Soviet agreements for the operation of an important portion of Manchurian industrial enterprises entered into under present circumstances would be in disregard of the interests of the US and other Allies, and would operate to discriminate against Americans and the nationals of other countries interested in the industrial development of Manchuria.

The US Govt would consequently appreciate receiving a reply from the Soviet Govt in regard to the issues raised in its attached note as amplified above.

BYRNES

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740.00119 PW/3-946 : Telegram

*The Chargé in the United Kingdom (Gallman) to the  
Secretary of State*

LONDON, March 9, 1946—11 a. m.

[Received March 9—10 : 36 a. m.]

2789. After having studied U. S. notes of February 9 to Soviet and Chinese Govts. and after some informal exchange of views regarding Soviet policy in Manchuria, Sterndale Bennett has given us a memorandum setting forth for strictly confidential information of Dept. certain information received from British Embassy in Chungking as well as certain tentative conclusions of Foreign Office regarding possible Soviet aims in Manchuria. Memorandum concluded with statement that British Chargé in Moscow <sup>35</sup> has been instructed to inform

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<sup>35</sup> Frank Kenyon Roberts.



Soviet Govt. with reference to reports of removal of Jap equipment from Manchurian factories that HMG reserve all their rights and wish to place on record their view that disposal of Jap assets is matter for discussion and settlement between Allied nations having claims to Jap reparations. Roberts is also instructed to add that in absence of agreement resulting from such discussion HMG regard it as appropriate that the state in whose territory they are located should retain such assets on a custodian basis to be debited against that state's eventual share of Jap reparations. HMG cannot acquiesce in unilateral removal of assets by third party nor can they recognize any agreement between individual Govts. which purports to arrange for final disposal and ownership of Jap property rights, interests and assets. According to memorandum, as soon as Roberts has made communication to Soviet Govt, British Embassies in Washington and Chungking will hand copy of it to U.S. and Chinese Govts. respectively. Sterndale Bennett says instructions to Roberts in above sense went forward March 8.

British Embassy at Chungking reported on February 22 that Chinese Vice Minister of Foreign Affairs confirmed that Russians had undoubtedly removed much machinery as war booty but added that as Chinese officials were not permitted to investigate no detailed information was available.

On evening February 22, Chinese Minister for Foreign Affairs sent for Counsellor of British Embassy (in absence of Ambassador in Shanghai) and informed him that there were at present two issues affecting Chinese relations with Soviet Govt. in Manchuria. First was withdrawal of troops. Soviet Govt. had undertaken to withdraw by February 1 and although Chinese Govt. had enough troops on the spot to take over the whole territory Chinese Govt. had had no reply to repeated inquiries addressed to Soviet Embassy regarding date of withdrawal. Second issue was disposal of Jap industrial assets in Manchuria. Soviet contended all Jap equipment was war booty while Chinese maintained all enemy property in Chinese territory should pass to Chinese Govt. as advance on Jap reparations. This thesis had been contained in memorandum<sup>36</sup> sent by Dr. Wang to Messrs. Byrnes, Molotov and Bevin during meeting in London last September of Foreign Ministers. In this connection, Sterndale Bennett referred to British position that enemy assets located in Allied state should be retained by that state on custodian basis (see Embassy's 2682, March 7<sup>36</sup>) and said that British Counsellor, Chungking, had received impression from Dr. Wang that U.S. had agreed to Chinese position that all such assets in Manchuria should go to China at once and not be held for final disposition by an Allied Repa-

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<sup>36</sup> Not printed.

rations Commission. Foreign Office would appreciate clarification of U. S. views on this point. Sterndale Bennett apparently felt that point 1 in Dept.'s 1868, February 28,<sup>30a</sup> which deals with this subject is somewhat ambiguous.

According to British Embassy report, Dr. Wang also said that latest Soviet statement on subject had been communicated to Chinese authorities at Changchun at beginning of February and took line that China would have no grounds for complaint since Soviet Govt. proposed to hand over portion of captured Jap equipment and make arrangements for joint Sino-Soviet operation of the rest, which included majority of more important plants. There was no mention of equipment reported to have been removed to Siberia. Chinese had not replied to this communication but would maintain their stand on principles mentioned above.

As regards possibility of referring Manchurian problem to Security Council, Dr. Wang said policy of his Govt. would depend on nature of Soviet replies to questions put to them which would continue to be strongly pressed.

Foreign Office considers following to be possible aims of Soviets in Manchuria :

(1) Complete restoration of position held by Russia before 1904, despite provisions of Sino-Soviet agreement of last August.

(2) Determination to remain in Manchuria so long as may be necessary to ensure :

(a) The removal of such Japanese equipment as may be required, as war booty; and

(b) Establishment of an administration, whether Chinese, Communist or otherwise, amenable to Soviet Govt.

(3) Desire to make evacuation of Soviet troops from Manchuria conditional upon evacuation of American troops from North China.

Memorandum states Foreign Office would welcome further advice of Dept. as to Russian aims and would be glad to know whether Dept. considers there is any action which can usefully be taken at this stage. Memorandum adds that in event of question being referred to Security Council, HMG would of course be ready to deal with it there in close collaboration with U. S. Govt.

Sterndale Bennett expressed orally his serious concern at situation which was developing and said that in view of press reports that U. S. had presented another note regarding Manchuria to the Russians perhaps some of statements in memorandum would already be out of date. He emphasized that while Foreign Office hoped it would be kept informed of U. S. opinions and actions so that if considered necessary or advisable British could take similar steps, he did not, in any way, wish to suggest a policy of "ganging up" on the Russians.

GALLMAN

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<sup>30a</sup> Not printed.

740.00119 FW/3-1146

*The British Embassy to the Department of State*

## MEMORANDUM

A communication was made by His Majesty's Chargé d'Affaires in Moscow to the Government of the Union of Soviet Socialist Republics on March 9th on the lines of the following:

"His Majesty's Government in the United Kingdom are disturbed at reports which have reached them to the effect that Soviet forces have been engaged in removing from Manchuria Japanese-owned machinery and equipment from factories in Mukden and elsewhere.

2. These reports compel His Majesty's Government to reserve all their rights and to place on record their view that the disposal of Japanese assets is a matter for discussion and settlement between the Allied Nations having claims to Japanese reparations.

3. In the absence of an agreement resulting from such discussion His Majesty's Government regard it as appropriate that the State in whose territory they are located should retain such assets on a custodian basis to be debited against that State's eventual share of Japanese reparations. But they cannot acquiesce in the unilateral removal of these assets by a third party nor can they recognise any agreement between individual Governments which purports to arrange for the final disposal and ownership of Japanese property, rights, interests and assets.

4. A copy of this note is being communicated to the Chinese Government."

WASHINGTON, March 11, 1946.

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893.60 Manchuria/3-1246 : Telegram

*The Chargé in the Soviet Union (Kennan) to the Secretary of State*

Moscow, March 12, 1946—4 p. m.

[Received March 12—10:57 a. m.]

779. Thinking that Department might wish to have at an early date record of how its two communications on Manchurian industrial enterprises were presented to Soviet Government (ReDeptels 392, March 5 and 416, March 7), I submit below text of pertinent portions of my letter of March 9 to Molotov (ReEmbs 738, March 9<sup>37</sup>):

"On March 5 I transmitted to my Government the contents of your letter of March 4, on the subject of the disposition and control over industrial enterprises in Manchuria.

"Before that communication could be received and given attention in Washington, I received from my Government instructions to make the following communication to the Soviet Government:"

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<sup>37</sup> Not printed.



I then quoted the text of Deptel 392 with one or two minor changes in phraseology and omitting statement that no reply has been received from Soviet Government to first U. S. inquiry. Concluding this text, I continued:

"Subsequent to the preparation and despatch to me of the instructions embodying the communication set forth above, my Government received my message transmitting your note of March 4. It has now had the possibility to examine that note, and has directed me to communicate to you the following with respect thereto:"

Thereupon I follow closely in quotes the text of Department's 416, March 7 beginning with words in first paragraph: "U. S. Government . . . regrets to state that it does not find the Soviet note responsive" and ending with words "interested in the industrial development of Manchuria".

I then explained that position of U. S. Government on allocation of Jap external assets referred to above had been set forth in letter to Vyshinski <sup>38</sup> on March 9 (ReEmbs 737, March 9 <sup>39</sup>).

I concluded with "My Government would appreciate receiving a reply from the Soviet Government in regard to the issues raised in the two communications set forth above".

KENNAN

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740.00119 PW/3-2246

*Memorandum of Conversation, by Mr. Willard L. Thorp, Deputy to the Assistant Secretary of State (Clayton)*

[WASHINGTON,] March 22, 1946.

Pauley <sup>40</sup> said that he was passing along the substance of a suggestion which he had made both to the President and to the Secretary. He feels that the Russians are robbing the other nations in their removal program in Manchuria, and that the program will greatly hamper the recovery of the Far Eastern economy. We should put all reparations into one pot, and offset whatever the Russians may have taken from Manchuria against their present share of reparations from the western zones. In fact, he believes that a declaration that we propose to do this, will stop further removals in Manchuria.

Mr. Thorp asked how he proposed to prevent the European participants in reparations from getting a windfall and transfer this benefit to China, the country which is being most seriously "robbed."

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<sup>38</sup> A. Ya. Vyshinsky, Soviet Vice Commissar for Foreign Affairs.

<sup>39</sup> Not printed.

<sup>40</sup> Edwin W. Pauley, personal representative of President Truman on reparations.

He said that, if the declaration did stop the removal process, that would benefit the Chinese. If the sanction did not succeed, some other machinery would have to be found.

He also said that, contrary to the procedure with respect to Germany, he did not propose to file his final report on Japan with the President until it had State Department agreement. He is leaving the city, and has assigned Martin Bennett to work with JK<sup>41</sup> on the report.

Mr. Pauley said that he is leaving for California, but would be on call if he is needed at any time.

WILLARD L. THORP

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893.60 Manchuria/3-2646 : Telegram

*The Counselor of Embassy in China (Smyth) to the  
Secretary of State*

CHUNGKING, March 26, 1946—5 p. m.

[Received March 27—11:55 p. m.]

572. March 26 Dr. Wang Shih-chieh, Foreign Minister, called me to Foreign Office this afternoon and handed me an *aide-mémoire* dated March 26 which he requested be transmitted to Secretary of State, as follows:

"Negotiations in Changchun with the Soviet authorities on the subject of former Chinese-Japanese owned industries in Manchuria were suspended early in February when the Soviet forces failed to withdraw after the agreed date. The Chinese Govt indicated later on that these negotiations, if and when resumed, should be conducted in Chungking instead of Changchun.

The Soviet Govt has now informed the Chinese Govt that the Soviet forces will be completely withdrawn by the end of April and that the Soviet Govt is prepared to negotiate with the Chinese authorities in Chungking on matters of economic collaboration. It is the intention of the Chinese Govt that when these negotiations are resumed, no agreement will be concluded until the Soviet forces have completely evacuated from Manchuria, and that no agreement reached with the Soviet Govt will preclude the freedom of concluding similar arrangements for economic cooperation with other countries."

Dr. Wang said that it was not certain when negotiations with Soviets would commence. He said that he would continue to keep us informed of developments.

SMYTH

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<sup>41</sup> Division of Japanese and Korean Economic Affairs of the Office of Economic Security Policy.

740.00119 P.W./4-946 : Telegram

*The Ambassador in the United Kingdom (Winant) to the Secretary of State*

LONDON, April 9, 1946—6 p. m.

[Received April 9—3:35 p. m.]

3946. We have just received informal letter from Foulds<sup>42</sup> of Japanese Dept of FonOff reporting that on March 27 the Chinese Vice Minister for Foreign Affairs invited a member of British Embassy staff in Chungking to Ministry to inform him of up-to-date situation regarding Manchuria. He confirmed receipt of note about Soviet troop withdrawal by April 30 and that Chinese Govt had replied accepting that date as final. For confidential information of British, Vice Minister added that Soviet note had also suggested renewal of discussions on "economic cooperation" but that Chinese Govt in their reply had made no reference to this suggestion. Vice Minister particularly asked that these facts should not be publicly disclosed. British Embassy officer received impression that Chinese Govt was nevertheless contemplating possibility of resuming economic discussions if only as matter of expediency.

Letter states FonOff would appreciate any indication Dept might care to give British of its views as to whether any further steps might be taken "to prevent the conclusion of Sino-Soviet agreements about Manchuria which would be in disregard of commercial interests of other nations". We have spoken to Foulds and recalled that after receipt of FonOff memo of March 8 outlined in Emb's 2789 of March 9, Dept had stated it did not believe any further action was called for. Foulds said he did recall Dept's statement but FonOff continues to be worried about Manchurian situation and wished to give Dept opening for further suggestions if it so desired. Foulds admitted FonOff at present has no constructive suggestions as to further action which could usefully be taken.

WINANT

893.60 Manchuria/4-2346 : Telegram

*The Ambassador in the Soviet Union (Smith) to the Secretary of State*

Moscow, April 23, 1946—7 p. m.

[Received April 24—9:55 a. m.]

1307. Vyshinski replied on April 22 to Kennan's letter of March 9 to Molotov on disposition of Jap industrial enterprises in Manchuria (ReEmbtel 738, March 9<sup>43</sup>). The text in translation of Vyshinski's letter follows:

<sup>42</sup> Linton Harry Foulds.<sup>43</sup> Not printed.



The position of the Soviet Govt. on the question of war trophies was set forth in my letter of March 4<sup>44</sup> and the Soviet Govt. continues to maintain this position. The Soviet Govt. would consider it necessary to remark in supplement to the letter of March 4 that the position taken in this letter of the condition of war trophies fully corresponds to the definition of the conception of "trophies" which was given in the armistice agreement concluded by the Soviet Union, the USA and Great Britain with Bulgaria on October 28, 1944,<sup>45</sup> and with Hungary on January 20, 1945.<sup>46</sup> Thus the statement of the American Govt. that the claims of the Soviet Govt. exceed "by far the scope of war booty as generally recognized by international law" lacks foundation.

As regards reparations from Japan the point of view of the Soviet Govt. on this question will be set forth in a separate letter. At the present time the Soviet Govt. considers it necessary only to confirm that it is unable to agree with the view that the conclusion of an agreement between the USSR and China on the formation of Chinese-Soviet companies for the exploitation of a part of the Japanese enterprises which served the needs of the Japanese Kwantung army would be a violation of the principle of the "open door" in as much as the doctrine of the "open door" has no relation to the question of the utilization of war trophies. The Soviet Govt. likewise cannot agree that Soviet-Chinese agreements for the exploitation of a considerable part of Manchurian enterprises which have been concluded (*Zaklyuchennye*) in the present circumstances would lead to a disregard of the interest of the United States and other Allies and to discrimination against them since neither these Soviet-Chinese agreements nor the circumstances in which they were concluded give any foundation for such a type of assertion.

Please repeat to Tokyo for Political Adviser as Moscow's 26.

Sent Dept. as 1307, repeated Paris for Secretary 104, and Chungking 60.

SMITH

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893.60 Manchuria/4-2646 : Telegram

*The Chargé in the United Kingdom (Gallman) to the  
Secretary of State*

LONDON, April 26, 1946—7 p. m.

[Received 7:35 p. m.]

4520. Foulds, head Japanese Department Foreign Office, has shown us telegram from British Embassy Moscow dated April 21 giving

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<sup>44</sup> See telegram No. 650, March 5, from the Chargé in the Soviet Union, p. 1112.

<sup>45</sup> Department of State, Executive Agreement Series (E.A.S.) No. 437, or 58 Stat. (pt. 2) 1498.

<sup>46</sup> E.A.S. No. 456, or 59 Stat. (pt. 2) 1321.

substance of Soviet reply to British representations of March 9 re removal of industrial equipment from Manchuria. Soviet reply states definitely it cannot agree to British view that Japan's assets should be appropriated by state in whose territory they are located on a custodial basis to be debited against that state's share of Japanese reparations. Soviet claim all equipment taken from Manchuria is that which has served needs of Japanese Army and therefore constitutes "war trophy" of Red Army. Soviets claim this understanding of term "war trophy" is in accordance with definition of conception of that term outlined in armistice agreements concluded by USSR, USA and UK with Bulgaria on October 28, 1944, and with Hungary on January 20, 1945.

Soviets express agreement with setting up an Inter-Allied Reparations Commission for Japan but state Japanese Assets Commission should dispose of, should include all assets and removable equipment as outlined in Potsdam Agreement<sup>47</sup> including precious metals. Definite statement is made by Soviets that "war trophies" cannot be included in reparations. Soviet note apparently says nothing about talks with Chinese re joint operation of certain former Japanese enterprises in Manchuria.

GALLMAN

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740.00119 Council/4-3046 : Telegram

*The Ambassador in France (Caffery) to the Acting Secretary of State*

PARIS, April 30, 1946—2 p. m.

[Received 6:58 p. m.]

2046. For Acheson from Secretary.<sup>48</sup> Delsec 448. In preparation of reply to last Soviet note on Manchuria it should be borne in mind Molotov explicitly stated CFM<sup>48a</sup> that German Navy and Italian Navy were war booty and as such should be equitably shared among Allies.

Please clear with me any reply to most recent Soviet note on Manchurian booty. [Byrnes.]

CAFFERY

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<sup>47</sup> For the Potsdam Agreement, see report released August 2, 1945, Department of State *Bulletin*, August 5, 1945, p. 153; *Foreign Relations*, The Conference of Berlin (The Potsdam Conference), 1945, vol. II, p. 1499.

<sup>48</sup> The Secretary of State was in Paris attending the Council of Foreign Ministers; Dean Acheson, Under Secretary of State, was Acting Secretary.

<sup>48a</sup> Council of Foreign Ministers.

893.60 Manchuria/4-3046 : Telegram

*The Acting Secretary of State to the Consul General at Mukden  
(Clubb)*

WASHINGTON, April 30, 1946—5 p. m.

12. Dept would appreciate such detailed info as may be available regarding Russian seizure of Jap industrial enterprises Manchuria, especially Anshan.

ACHESON

893.60 Manchuria/5-246 : Telegram

*The Consul General at Mukden (Clubb) to the Secretary of State*

MUKDEN, May 2, 1946—5 p. m.

[Received May 3—8 : 34 a. m.]

59. ReDeptel 12, April 30, 5 p. m. Re Anshan Steel Works am informed Chinese source states that Soviet removed some 75% to 80% of machinery including power plant equipment, that they however have made no claim to possession administrative rights, that Chinese regained control mid-April with capture Anshan by Government force, that Chinese unable operate at present because shortage machinery and lack power that enterprise will later be operated as state undertaking under National Resources Commission.

Will endeavor proceed Anshan when personnel situation permits. Will enlarge upon reports re Russian seizure Jap industrial enterprises as expeditiously as possible. At present would emphasize desirability judicious handling of figures coming from interested Chinese sources, as above, of losses allegedly sustained through Soviet looting Manchuria. Bad, even disastrous, though that looting was, there will probably frequently be met with Chinese tendency to attribute to that cause losses somewhat in excess actuality with hope of thus obtaining rehabilitation chiefly through American help. Disinterested Chinese source for instance states American bombing destroyed blast furnaces and coking ovens was disregarded by Chinese official making cited statement.

Repeated Nanking as 26.

CLUBB

893.60 Manchuria/5-1545 : Telegram

*The Consul General at Mukden (Clubb) to the Secretary of State*

MUKDEN, May 15, 1946—noon.

[Received May 16—2 : 06 a. m.]

74. Am informed by reliable Chinese official that there exist no joint Sino-Soviet enterprises in Manchuria area under present National



Govt. control. This statement is technically exclusive of Chinese Changchun railway but it is to be noted that Soviets are not participating by report in administration section currently operated under National Govt. military jurisdiction.

Dept. will appreciate situation probably different in area under Chinese Communist control as well as in Dairen.

ReDeptel April 30, 5 p. m., same informant stated that of upwards 20 Mukden economic enterprises taken over by Soviets at time occupation all but 2 or 3 breweries have been recovered in seriatim but that Soviets still claim possession certain local dwellings under "pretense" of purchase.

Repeated Nanking as 38.

CLUBB

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893.60 Manchuria/5-1546 : Telegram

*The Consul General at Mukden (Clubb) to the Secretary of State*

MUKDEN, May 15, 1946—3 p. m.

[Received May 18—7:30 a. m.]

75. I proceeded Anshan May 11 and returned 12th. ReConstel May 2, 5 p. m. Following are highlights brief inspection Anshan steelworks. Despatch follows.<sup>49</sup>

Repeated Nanking as 40.

"Showa" plant is completely idle. Chinese claim equipment removed by Soviet from 6 of local 9 blast furnaces. Time factor prevented my verification extent dismantling but apparently furnaces structurally intact. Elements removed by Soviets from Showa as whole included 6 of 10 power plant boilers; 2 of 4 blowers; 2 mixers, 6 steel ovens and all cranes and rolling equipment in number 2 open hearth and rolling mill; rail mill installations; steel mill equipment; two batteries each of 36 units of coking ovens; steel plate mill was stripped of rolling machinery and cranes. Bar mill equipment was dismantled but not removed, rolling mill number 1 and by products plant remain intact as well as various sections in above named plant.

Of 11 subsidiaries (also idle) to Showa plant, machinery largely intact in plant: Wire and corrugated iron, seamed pipe, rolling mill, [steel-]truss factory, foundry, cement, wire cable; however, Soviets removed all machinery from seamless pipe plant, including cranes, and reputedly also removed equipment from refracting plant and chemical works which however were not viewed.

Additional damage was done reputedly by Communist Eighth Route Army, this damage centering on electrical power sub stations. Part of such damage was attributed to local Chinese population,

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<sup>49</sup> Not printed.

which was also held chiefly responsible for destruction of roofing and wooden parts of structures. Large stocks steel products remain on site and there is estimated 1 year supply iron ore at normal rate operations in yards.

Main difficulties in rehabilitation plant are three. 1. There is immediate lack of power. Plant previously was served with 270,000 kw. coming from Yalu installation now no longer at command National Govt. There was reserve plant producing 70,000 kw. at Anshan but from that plant Soviets removed two generators producing respectively 25,000 and 18,000 kw. and left behind two generators of capacities 18,000 and 12,500.

2. Important deficiency will be felt as regards personnel in connection with any future planning. In administration of enterprises there were some 5,000 Jap engineers and technical staff at top. Chinese personnel comprised almost exclusively ordinary laborers. Chinese officials state that they intend house temporarily about 1,000 Jap technicians, and that if they get (from USA) what they need they anticipate that they can resume operation with 1 blast furnace 6 months hence. Chinese technical inexperience alone, however, probably would make for inefficient use foreign skills, whether Jap or other, and retard for considerable time efficient use even of remaining sections of plant under Chinese direction.

3. Finally, political dissension Manchuria obstructs recovery. Plans largely dependent, for instance, on Penhsihu coal mines, but these badly crippled through recent action Communists prior to withdrawal before advance Govt. troops.

ReConstel, inspection revealed no substantial damage caused to plant by American bombing and that estimate 70 to 80 percent removal equipment by Soviets was substantial exaggeration if plant be taken as whole. This believed [apparent garble] even if true as stated by Chinese official without substantiating evidence, that Soviets removed over 900 trainloads, or more than 70,000 tons, loot from Anshan. Loot from that point included, be it noted, livestock, grain, household furnishings, et cetera.

CLUBB

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893.60 Manchuria/6-2046

*The Consul General at Dairen (Benninghoff) to the Embassy in China*<sup>50</sup>

No. 15

DAIREN, June 20, 1946.

SIR: I have the honor to inform the Embassy that it is common knowledge that the Soviet authorities in Dairen have packed up and

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<sup>50</sup> Copy transmitted to Department without covering despatch; received about November 8.

removed a large quantity of Japanese industrial equipment since their arrival last August. This movement appears to have largely ceased at the present time. In the absence of specific instructions, the Consulate General has refrained from making other than casual inquiries, for the reason that any persons suspected by the Russians of divulging information of that nature would be in serious jeopardy.

The volume of evidence from persons of all nationalities is such that this office has not the slightest doubt that the Russians, soon after their arrival, embarked on a systematic program of selection and shipment. One person has stated that he saw long lines of horse carts loaded with boxes carefully numbered and marked as to place of destination. Other individuals familiar with the port state that throughout the winter several ships a week left Dairen loaded with industrial equipment as well as with agricultural products. It is understood that a great deal of specific information of this nature has been clandestinely transmitted to the Chinese Government.

Under the circumstances, and for the reasons mentioned above, this Consulate General is unable to submit even estimates of the amount of material which has been exported. If the Embassy so instructs, specific and detailed information will be sought, and the greatest care will be taken to protect the individuals who furnish information. In this event, detailed instructions regarding the type of material desired are also requested. In the meantime, the Consulate General is compiling from Japanese sources lists of factories of various categories which were in existence prior to the Soviet occupation. In most cases the capitalization is known, but production figures or other statistics which might give an indication of the equipment installed have not been available.

The Consulate General would also appreciate information as to whether Ambassador Pauley proposes to visit Dairen. If he does, such material as he desires will be prepared in advance for him.

Respectfully yours,

H. MERRELL BENNINGHOFF

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740.00119 P.W./9-646 : Telegram

*The Acting Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, September 6, 1946—6 p. m.

721. In confidential conversation here in Dept. with Russian representative on Far Eastern Commission in regard to reparations from Japan, the representative has stated that "negotiations are proceeding between China and the USSR" in regard to "war booty" which has not been removed from Manchuria. Please make discreet inquiry as to whether there are in fact any such negotiations and if there are endeavor to ascertain their character.

CLAYTON



740.00119 P.W./10-546 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 5, 1946—9 a. m.

[Received October 6—1:10 a. m.]

1597. Opportunity was found to make casual inquiry of T. V. Soong regarding subject matter Deptel 721, September 6, 6 p. m., which he confirmed in vague terms and gave it as his impression that the Russians had put forward a long request list to which the Chinese had acceded in only few items, he believed in the matter of coal and iron ore. He suggested that details be obtained from Wang Shih-chieh.

In course of conversation with Foreign Minister yesterday, Butterworth<sup>51</sup> made mention of Dr. Soong's assertions. Minister stated that he knew of no such developments but that inasmuch as he had been away he would check with appropriate official of Ministry and notify Embassy some time next week.

STUART

661.9331/10-2846 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 28, 1946—4 p. m.

[Received 11:50 p. m.]

1755. Further information obtained re Embassy's telegram 1597, October 5, 9 a. m., is being embodied in a despatch.<sup>52</sup> It comes to this: The responsible Foreign Office officials concerned with Manchuria maintain that no authoritative discussions regarding Soviet-Manchurian trade had taken place since the capital moved to Nanking and that Dr. Soong must have had in mind the counterproposal made by the Chinese in late March which was rejected by the Russians (see Embassy's telegram 572, March 26, 5 p. m.). The present repatriation of Soviet railway officials from Mukden area is rightly regarded by Chinese Foreign Office as a significant gesture of dissatisfaction, and there is suppressed nervousness about the situation as indicated in final paragraph of Embassy's telegram 1704, October 20, 9 a. m.<sup>53</sup>

STUART

[Correspondence regarding Ambassador Edwin W. Pauley's reparations mission to the Far East, including Manchuria, is printed in Volume VIII, pages 471 ff. For summary accounts, see Department of State *Bulletin*, August 4, 1946, page 233 and December 22, 1946, page 1154.]

<sup>51</sup> W. Walton Butterworth, Minister-Counselor of Embassy.

<sup>52</sup> No. 245, October 31, *ante*, p. 460.

<sup>53</sup> *Post*, p. 1212.

## RE-OPENING OF CONSULAR POSTS IN MANCHURIA; INABILITY TO OPEN CONSULATE AT HARBIN DUE TO COMMUNIST OBSTRUCTION <sup>1</sup>

125.461/1-1846 : Telegram

*The Acting Secretary of State to the Embassy in China*

WASHINGTON, January 18, 1946—6 p. m.

112. Now that Chinese Govt appears to be extending its authority in Manchuria Dept is desirous of proceeding with plans for the reopening of offices at Harbin, Mukden and Dairen. Clubb<sup>2</sup> temporarily assigned Harbin is en route Shanghai and Sturgeon<sup>3</sup> and Chase<sup>4</sup> are available there for assignment Mukden and Dairen.

Dept intends assign Chase Harbin permanently but feels other permanent assignments Manchuria should await arrival officers and other personnel. Request recommendation now on personnel to proceed to Manchuria soon as possible (Para 6 Butrick's<sup>5</sup> 29 from Shanghai Oct 30<sup>6</sup>).

Dept desires (Deptel 138, Nov 8, 11 a. m.<sup>7</sup>) that you inform FonOff of our wish to reopen offices at Harbin, Mukden and Dairen as soon as practicable, that you request the concurrence and assistance of the Chinese Govt in this regard and that you inform Dept after consultation with Chinese authorities when it will be practicable (sent to Chungking, repeated to Shanghai) to send staffs to Manchurian posts.

ACHESON

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125.461/1-3046 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, January 30, 1946—2 p. m.

[Received January 31—1:12 a. m.]

193. Matter mentioned in Department's 112, January 18 taken up with Foreign Office. Vice Minister Liu Chieh states Chinese Gov-

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<sup>1</sup> For correspondence regarding the reestablishment of a consular post at Dairen, see pp. 1153 ff.

<sup>2</sup> O. Edmund Clubb, Consul General at Mukden, formerly at Vladivostok.

<sup>3</sup> Leo D. Sturgeon, Consul General, temporarily at Shanghai.

<sup>4</sup> Augustus S. Chase, Consul at Shanghai.

<sup>5</sup> Richard P. Butrick, Acting Chief of the Division of Foreign Service Administration, on inspection at Shanghai.

<sup>6</sup> *Foreign Relations*, 1945, vol. VII, p. 1465.

<sup>7</sup> *Ibid.*, p. 1470.

ernment is agreeable to reopening of offices at Harbin, Mukden and Dairen. He requests that Foreign Office be furnished names of officers to be assigned to posts; upon receipt of this information Foreign Office will advise us further.

Embassy suggests Sturgeon be assigned to Dairen, Clubb to Mukden and Chase to Harbin. As these officers are now in Shanghai, it is requested that Shanghai make recommendations to Department concerning consular staff to accompany to Manchuria. Upon receipt of Department's instruction regarding personnel, Embassy will inform Foreign Office and report further developments. (Sent Department as 193, repeated Shanghai as 63, January 30, 2 p. m.)

Vice Minister Liu Chieh believes it would be preferable for consular officers to proceed first to Manchuria, to be followed later by any attachés (military, naval, USIS,<sup>8</sup> etc.) which we might wish to detail to Manchuria. He feels that American civilians should also follow after consular officers.

SMYTH

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740.00119 PW/2-246 : Telegram

*The Consul General at Shanghai (Josselyn) to the Secretary of State*

SHANGHAI, February 2, 1946—2 p. m.

[Received 6:14 p. m.]

153. Sturgeon submits following for reference planning entry Manchuria consular officials and representatives American business firms: Information and opinion has been sought in numerous quarters Shanghai, over considerable period, on question when Chinese may gain administrative authority sufficient to permit effective functioning consular offices and entry representatives American business organizations Manchuria. From this inquiry, which has included well informed military and civilian sources, number of obstacles to early Chinese control of Manchuria have become fairly clear.

Although Chinese Govt. proceeds with plans and activities looking toward taking over control Manchuria, it confronts serious problems, involving following principal matters:

1. Effective military control.
2. Civil Administration.
3. Rehabilitation industry and trade.
4. Sino-Soviet treaty<sup>9</sup> and Soviet political and economic interest.

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<sup>8</sup> United States Information Service.

<sup>9</sup> Signed at Moscow, August 14, 1945, United Nations Treaty Series, vol. 10, p. 300, and Department of State, *United States Relations With China* (Washington, Government Printing Office, 1949), pp. 585-596.



Comprising area twice size pre-war Japanese Empire, effective Chinese military control Manchuria would constitute large problem under favorable conditions; with serious lack of transport for troop movements and supply, such control seems improbable for indefinite time. American newspaper correspondents have called particular attention to poor transport and supply service, also shortage equipment and adequate clothing for troops. Present rate movement and dispersion Chinese troops Manchuria appears slow despite American assistance. (Reference Dept.'s 77 to Shanghai, 112 to Chungking.) Dispersion also appears await and depend upon negotiations and arrangements Soviet authorities. Real administrative authority public affairs apparently cannot precede military control.

When military control established, finding competent civil administrators for provinces and large cities poses special problem for reason heavy demand already made on available personnel in other liberated areas. Weakness in this link of Chinese control promises create dissatisfaction and undermine confidence in new govt. as has reportedly occurred in Formosa; practice of bringing administrators from China proper, lacking adequate knowledge local affairs, probable cause of discontent; also handicap in obtaining cooperation local populations necessary to efficient government and stable political conditions.

In trade and industry problem may prove similar to that of civil administration, i. e., lack of qualified technical personnel to assume responsibility rehabilitation. Failure effect reasonably early return economic conditions, including revival trade and industry, comparing favorably previous regime could seriously reduce influence and authority new administration.

Taking over Manchuria under favorable conditions probably would tax Chinese strength and resource. Should problem carrying out provisions Sino-Soviet treaty and otherwise satisfying Soviet political and economic interest hamper administrative control, Chinese prospect establishing successful regime seemingly greatly reduced. Close survey not possible for some time, however, weight of opinion informed persons is that China will not have unhampered administrative control Manchuria but responsibility without full authority. War Dept.'s Soviet expert China Theatre, Col. Yeaton,<sup>10</sup> states strong conviction Soviet definitely intend remain controlling force Manchuria.

Provisions Sino-Soviet agreements regarding Manchurian railways and Port Dairen appear place Soviet strong position exert control difficult to observe from outside. Thus if Soviet policy calls for control superior to that of China, despite professed respect territorial

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<sup>10</sup> Ivan D. Yeaton, head of the Army Observer Group at Yen-an, Chinese Communist headquarters.

and administrative integrity, treaty position seems important factor. Points of probable weakness in Chinese position enumerated above appears constitute other factors favoring possible Soviet aim of eventual political control.

Factors appearing in Manchuria situation suggest following main conclusions:

1. Success of efforts Chinese Govt. gain effective administrative control over Manchuria in near future appear distinctly problematical due magnitude of task and possible Soviet counter aims.

2. Effective functioning consular offices and early resumption American business activity in area appear dependent upon Soviet concurrence as well as Chinese approval. If this estimate correct, protection American interests in Manchuria, both economic and political, appears call for closest understanding between Governments United States and Soviet Union.

JOSSELYN

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125.461/2-1646 : Telegram

*The Counselor of Embassy in China (Smyth) to the  
Secretary of State*

CHUNGKING, February 16, 1946—4 p. m.

[Received February 17—5 : 39 a. m.]

314. Reopening of consular offices Manchuria (Dept's 283, Feb 13<sup>11</sup> and Embassy's 193, Jan [30]). Vice Minister Foreign Affairs Liu Chieh informed me today that (sent Dept 314, repeated Shanghai 104), while Foreign Office would like to have our consular officers return to Manchuria, under present conditions in Manchuria, it would not be practicable for the time being.

SMYTH

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123 [Clubb, Oliver Edmund] : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, February 19, 1946—7 p. m.

316. Unless objection is perceived please approach FonOff and say that with view to procuring first-hand information re Manchurian developments we desire (Urtel 314, Feb 16, 4 p. m.) if at all feasible to send Clubb to Mukden, where there are understood to be numbers of Chinese officials and troops. In making your approach point out that we consider Clubb eminently qualified for such a mission since he is experienced, discreet, has had service in China and USSR and speaks both languages. Repeated to Shanghai.<sup>12</sup> Please radio results of approach.

BYRNES

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<sup>11</sup> Not printed.

<sup>12</sup> Repeated as No. 261.

Marshall Mission Files, Lot 54-D270 : Telegram

*General George C. Marshall*<sup>13</sup> to the Secretary of State

CHUNGKING, 19 February 1946.

212. Reference your desire to reestablish US consulate officers in Dairen, Mukden and Harbin, Manchuria and the Chinese Government reply that in view of present conditions it would not be practicable at this time to give such permission, I informed Foreign Office today that I thought it desirable for US to go ahead and reestablish consulate offices at Dairen and Mukden, unless Chinese objected. I thought that this would either force the Russians into the open if they chose to object or would give us the advantage of lookouts in those localities whose mere presence would embarrass the Russians in taking any raw measures. The Foreign Office replies that the Chinese Government has no objections to US consular officers returning to Dairen and Mukden, but as Chinese are not in control at those places they could not guarantee safety. At Mukden there is a Chinese appointed mayor but he has not yet taken over administration as Russians are still in control and Russian troops present. At Dairen Chinese have nothing.

I am sending our consulate officials to Dairen and Mukden. They may be refused entry or permission to establish their consulates but if so there can no longer continue any doubt on the part of the world as to the Russian intention.

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125.633/2-2046 : Telegram

*The Counselor of Embassy in China (Smyth) to the  
Secretary of State*

CHUNGKING, February 20, 1946—3 p. m.  
[Received 4 : 33 p. m.]

339. Reopening Consulates Manchuria. Chinese Foreign Office has now informed Embassy that it has no objection to American consular officers returning to Dairen and Mukden, but as Chinese are not in control of these places, they cannot guarantee safety. At Mukden, there is an appointed Chinese Govt mayor but he has not taken over administration as Russians are still in control and Russian troops are still there. At Dairen Chinese Govt has no one. (Sent Shanghai as 119, repeated Dept 339.) Embassy desires that Sturgeon proceed to Dairen and Chase to Mukden. It is believed that most feasible present route would be by railroad, and Sturgeon and Chase should, therefore, proceed by air to Tientsin, there to arrange onward transportation by rail. Officers should proceed together to Mukden from where

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<sup>13</sup> Special Representative of President Truman in China, with personal rank of Ambassador.



Sturgeon should proceed to Dairen. Embassy does not think it advisable at this time to have a full staff accompany these officers. They should have one male assistant or secretary. A representative from the CID<sup>14</sup> group (in civilian clothes) of General Wedemeyer's<sup>15</sup> headquarters may be desired. If so make such request direct. Embassy should be kept informed of progress by telegraph. Foreign Office informed.

SMYTH

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125.351/2-2746 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, February 27, 1946—5 p. m.

[Received February 27—11:51 a. m.]

378. [To Shanghai:] Reopening Consulates Manchuria (Re your 123, February 26 and 125, February 26<sup>16</sup>).

Sturgeon and Chase should proceed to Dairen and Mukden, respectively, as previously instructed, each accompanied by one male assistant or secretary (to be supplied by Consulate Shanghai) and, if desired, by a representative of CID. No other persons should accompany officers. (Sent Shanghai 141, repeated Dept. 378, February 27, 5 p. m.)

For your strictly confidential information, which under no circumstances should be divulged, chief purpose of present trips is to determine whether or not Russian authorities will refuse entry of our consular officers into Manchuria. If Russians do not refuse entry, additional personnel and equipment can be sent later.

Chinese Foreign Office has been informed of proposed trips (see Embassy's 119, February 20 to Shanghai, 339 to Dept.) and it will be informed of Sturgeon's plans as soon as [apparent garble] is received from you. No notification will be made to Russians except, in case of Sturgeon, as directed in Embassy's 134, February 26 (370 to Dept.),<sup>17</sup> namely, 48 hours' notice from merchant ship captain to Dairen port authorities.

Sturgeon and Chase should proceed without further delay as instructed. Embassy should be kept promptly informed by telegraph regarding their plans and movements. Chase should report, through Consulate General, Tientsin, his arrival there and date of departure.

Please repeat to Dept your reference telegrams and any further telegrams on this matter.

SMYTH

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<sup>14</sup> Counter Intelligence Division of the Army.

<sup>15</sup> Lt. Gen. Albert C. Wedemeyer, Commanding General, U. S. Forces, China Theater.

<sup>16</sup> Neither printed.

<sup>17</sup> Not printed.

123 Clubb, Oliver Edmund : Telegram

*The Consul General at Shanghai (Josselyn) to the Secretary of State*

SHANGHAI, March 6, 1946—11 a. m.

[Received March 6—9 : 49 a. m.]

372. Following from Clubb :

"I believe that although reopening Harbin still unapproved by FonOff I could probably perform useful function by proceeding Manchuria at this time and prior to extension requisite Chinese approval acting as general observer, temporarily attached if it seems desirable to Mukden office but in any event confidentially authorized travel Changchun, Dairen and such other points as might be feasible. (Sent to Department as Shanghai serial no. 372, March 6, 11 a. m.; repeated to Chungking as Shanghai serial No. 156; ReEmbtel 389, February 28, 2 p. m. to Department.<sup>18</sup>)

Nominal ultimate assignment might still well be to reopen Harbin office in due course.

Therefore request authorization now proceed Peiping for consulation and subsequently, if Chase or Sturgeon succeeds in entering Manchuria, proceed same destination".

[Clubb]  
JOSSELYN

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123 Chase, Augustus : Telegram

*The Secretary of State to the Consul General at Tientsin (Myers)*

WASHINGTON, March 12, 1946—1 p. m.

40. For Chase. Referring your assignment to reestablish Consulate General Mukden, China notify Dept by telegram date arrival Mukden which will be considered date reestablishment of office and date office opened to public,<sup>19</sup> which will be earliest practicable date after location office quarters and installation necessary equipment. Detailed instructions will be forwarded by air mail.

Obtain from Shanghai stockpile such supplies as needed, later requisitioning from Department needed equipment or furniture not available from Shanghai.

Office Mukden is authorized to perform all the usual consular services after opening to public including all citizenship services (including the issuance of passports) and all visa services.

BYRNES

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<sup>18</sup> Telegram No. 389 not printed.

<sup>19</sup> The Mukden office was opened to the public on March 27.

123 Chase, Augustus : Telegram

*The Consul General at Mukden (Clubb) to the Secretary of State*

MUKDEN, April 15, 1946—6 p. m.

[Received April 17—2:13 p. m.]

26. Following from Chase:

“Believe very desirable that I with Rigg<sup>20</sup> and Chen<sup>21</sup> fly Harbin before Soviet evacuation scheduled 25th:

1. Interruption rail service Harbin likely prolonged.

2. If Soviet withdrawal followed by Communist control or disturbances, entry city after withdrawal likely difficult. Also Chinese National Government might dislike our entering country controlled [by] army but unlikely urge departure if already there.

3. Number important Soviet officials now stranded Mukden anxious proceed Harbin. Rigg with my approval and with no commitments sounded their attitude toward flying Harbin [by] American plane with us. They indicated would much appreciate opportunity; expressed opinion that Soviet authorities would permit plane land Harbin if unannounced but advised prior notification. Rigg has flown Changchun to make tentative arrangements subject our obtaining plane. Anxious our availing this opportunity service Soviets as would facilitate entry Harbin now, which otherwise probably delayed. We could, of course make passage available Chinese officials also.

4. Our arrival Harbin prior Soviet evacuation would permit quiet observation turnover and facilitate any American properties vacated by Soviets before Chinese custody.

Accordingly submit my and Rigg's strong recommendation we be authorized proceed Harbin and request therefor that Embassy urgently arrange have large Army or Marine plane provided us Mukden by 22nd latest.

Please repeat Chungking.<sup>22</sup>

Clubb concurs this recommendation.[”]

[Chase]  
CLUBB

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123 [Chase, Augustus S.] : Telegram

*The Secretary of State to the Consul General at Mukden (Clubb)*

WASHINGTON, April 18, 1946—6 p. m.

7. Text your telegram has been repeated Chungking with Dept's approval in principle (Urtel 26, Apr 15) but with final authority resting with General Marshall.

BYRNES

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<sup>20</sup> Maj. Robert R. Rigg, Assistant Military Attaché in China.

<sup>21</sup> Chen Huang-jiang, clerk of the Consulate at Mukden.

<sup>22</sup> Repeated to the Embassy in Department's telegram No. 670, April 18, 6 p. m.



123 Chase, Augustus : Telegram

*The Counselor of Embassy in China (Smyth) to the  
Secretary of State*

CHUNGKING, April 22, 1946—4 p. m.

[Received April 22—7:26 a. m.]

717. With reference Department's 670, April 18, which repeated Mukden's 26, April 15. Upon receipt Department's telegram we inquired of FonOff official whether there was any objection to American Consul proceeding Harbin; he felt it would be preferable await Government troops Harbin, but informed us today FonOff has no objection. However, according to available information, Rigg is still in Changchun where he went, according to Mukden's telegram, to make tentative arrangements. If Rigg has returned Mukden and made arrangements, Embassy should be informed. Please inform Mukden.<sup>23</sup>

SMYTH

123 Chase, Augustus S. : Telegram

*The Consul General at Mukden (Clubb) to the Secretary of State*

MUKDEN, April 30, 1946—4 p. m.

[Received May 2—6 a. m.]

58. Following from Chase:

"Rigg on his return yesterday reported that his approach for tentative arrangements land plane Harbin was well received by Soviet officials Changchun but completion arrangements with Soviet authorities Harbin was interrupted by breakdown telephone service and now of course rendered impossible by Soviets evacuating Harbin and COMS<sup>24</sup> presumably taking over airfields (Emtel 670 [717], April 22 to Department repeated Mukden in Deptel 10, April 24<sup>25</sup>).

In circumstances would propose that I proceed Harbin soon as transportation available accompanied by Rigg, Chen, and USIS transmitter with personnel needed operate it.

Unless American plane is provided us we face prospects indefinite delay before transportation available. Recommend that Embassy authorize our endeavoring tentatively arranged through Mukden Com-Hqtrs for plane to land Harbin. Contemplated approach would, of course, involve no request for permission proceed Harbin but only informal request for assurance landing arrangements in case flight made. Rigg, on basis his experience and talks with Major General Chou Pao-chung, leader COM forces taking Changchun and com-

<sup>23</sup> Repeated in Department's telegram No. 10, April 24, 5 p. m.

<sup>24</sup> Chinese Communist forces.

<sup>25</sup> See footnote 23, above.

mander all COM forces northeast Manchuria including Harbin, feels prospect good that COMS would be agreeable landing plane.

Clubb also feels above proposals constitute practicable procedure. Sent Nanking, repeated Department."

[Chase]  
CLUBB

123 Chase, Augustus : Telegram

*The Counselor of Embassy in China (Smyth) to the  
Secretary of State*

NANKING, May 6, 1946—11 a. m.

[Received May 6—6 a. m.]

752. [To Mukden:] Proposal in your unnumbered April 30, 4 p. m.<sup>26</sup> that Chase proceed Harbin accompanied by Rigg, communications equipment, and such personnel as you deem immediately essential as soon as transportation available is approved.

Executive Headquarters [at] Peiping has been informed to offer you assistance. You should consult Robertson<sup>27</sup> [at] Peiping before making approach Communist representatives Mukden.

Sent to Mukden as 7, May 6, 11 a. m., repeated to Dept. as 752; repeated to Peiping for Robertson as 45.

SMYTH

125.461/7-2346 : Telegram

*The Consul at Peiping (Freeman) to the Secretary of State*

PEIPING, July 23, 1946—5 p. m.

[Received July 24—7:45 a. m.]

163. Following from Chase:

"Yesterday before leaving Changchun (for urgent dental work work Peiping) I discussed Harbin Consulate project with Li Min-jan,<sup>28</sup> political advisor to Lin Piao.<sup>29</sup> Li repeated what he told General Timberman<sup>30</sup> CLN<sup>31</sup> that Lin would welcome Consulate but had felt necessary refer Yen-an. In reply my inquiry Li said matter was referred Yen-an about July 18. He professed confidence Yen-an

<sup>26</sup> *Supra.*

<sup>27</sup> Walter S. Robertson, American Commissioner at Executive Headquarters at Peiping.

<sup>28</sup> Known also as Li Li-san or Li Ming; he was a founder of the Chinese Communist Party and had been resident in Moscow from 1931 to 1945.

<sup>29</sup> Commanding Chinese Communist forces in Manchuria.

<sup>30</sup> Brig. Gen. Thomas S. Timberman, Director of Operations, Executive Headquarters at Peiping.

<sup>31</sup> Possibly, Chief Liaison, Nanking.

would approve but said Yen-an would probably not act until approached by Embassy.

I endeavored ascertain what possible objections have been delaying Communists' approval reopening Consulate and mentioned seeming advantages of its early reopening to Communists. I professed to see no objections and to agree re advantages.

I sounded Li re possibility Consular officer making immediate preliminary week's visit Harbin to survey office properties and needs re furniture, repair heating, plumbing, et cetera. Li manifested no objection and said would telegraph Lin Piao immediately. I would recommend Embassy authorize such a visit in event Lin's approval. If USIS report my transfer Nanking is correct, recommendation as to who should make visit should obviously come from Clubb rather than me. I should be very glad to go if desired (intending return Changchun in few days).

As of possible interest Embassy, Li volunteered statement that Communists were much disappointed in virtual termination American observer group Yen-an, and implied post is needed there in view Communists' desire for American investments and economic assistance Yen-an area."

Sent to Nanking as Peiping's 134, July 23, 5 p. m., repeated Department as 163, Mukden and Mukden for info Siebens<sup>32</sup> [at] Changchun. [Chase.]

FREEMAN

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Marshall Mission Files, Lot 54-D270

*Memorandum by the Minister-Counselor of Embassy in China  
(Butterworth) to General Marshall*

[NANKING,] August 19, 1946.

It has been the desire of the Embassy since the early part of the year to re-establish the American Consulate General at Harbin. Personnel is available in Mukden for this purpose, but thus far Communist permission to proceed to Harbin has not been forthcoming.

On April 22 the Foreign Office informed the Embassy that there was no objection on the part of the Chinese Government to the re-establishment of the Consulate General at Harbin. In late April approaches to Soviet officials at Changchun for tentative arrangements to land a plane at Harbin were well received but were not completed before the Soviet evacuation of the city and its occupation by Chinese Communists. In May the Communists informed Clubb at Mukden that the Harbin airfield was unusable and arrangements therefore could not be made for the arrival of State Department personnel.

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<sup>32</sup> Allen C. Siebens, Vice Consul.



Following the arrival of a truce team at Harbin, Colonel Tourtillott<sup>33</sup> was informed on June 21 by General Lin Piao that he could not be responsible for the safety of the American Consul General and Assistant Military Attaché and was therefore opposed to their arrival before agreement had been reached at Nanking for permanent settlement of the Manchurian conflict. Subsequent conversations with Communist officials in Manchuria indicate that they still hold to this position.

In late July Li Min-jan, political adviser to General Lin Piao, informed General Timberman and the Consul General at Mukden that General Lin would welcome the establishment of the Consulate General at Harbin, but felt that it was necessary to refer the matter to Yen-an. He professed confidence that approval would be granted, but said that Yen-an would probably not act until approached by the Embassy.

On August 2, in an after dinner conversation with General Chou En-lai,<sup>34</sup> I mentioned that we had received messages from Washington indicating that the Department of State was growing restive over the rather inexplicable delays in connection with the re-establishment of the Consulate General at Harbin. I referred to the fact that the officer designated was still at Mukden although he had reported that the Communist representative had given him to understand that he greatly favored the re-establishment of the Consulate General at Harbin. On August 10 I asked General Chou if he had received any word from Yen-an on this subject, and General Chou replied in the negative.

Clubb at Mukden has pointed out the need for having a trained political observer at Harbin and the importance also, in such a scarce economy, of re-establishing the office and providing for his staff before the arrival of cold weather. In this the Embassy concurs.

The Embassy does not feel that it can approach Yen-an directly for permission to re-establish the Consulate General inasmuch as the United States recognizes only the Nationalist Government as the Central Government of China, and this Government has no objection to the re-establishment of the Consulate General at Harbin. Would you give consideration to the following course of action:

Clubb with necessary staff and equipment be ordered to proceed to Harbin immediately to re-establish the Consulate General; General Chou En-lai be informed that such action is being taken, and that if Clubb's efforts meet with obstruction from the local authorities at Harbin and he is therefore unable to carry out his mission, the Em-

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<sup>33</sup> Raymond R. Tourtillott, American member of advance section of Executive Headquarters at Changchun.

<sup>34</sup> Head of the Chinese Communist Party delegation at Nanking.

bassy on withdrawing him would issue a public statement indicating the reason for his withdrawal.

I do not believe that we should longer submit to this apparent Communist obstruction of our efforts to re-establish the Consulate General at Harbin.<sup>35</sup>

W. WALTON BUTTERWORTH

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Marshall Mission Files, Lot 54-D270

*Memorandum by the Minister-Counselor of Embassy in China  
(Butterworth) to General Marshall*

[NANKING,] September 6, 1946.

After receiving your memorandum OSE 389 of August 21, 1946,<sup>36</sup> I instructed Clubb at Mukden to make preparations to proceed to Harbin to re-establish the Consulate General there. I am enclosing a copy of my instruction to him and a copy of his comments as requested.<sup>37</sup> You will note that he does not consider that it would be advisable to notify General Chou En-lai in advance, and in this I concur. Therefore, if you perceive no objection, I propose to radio Clubb to proceed to Harbin at the first available opportunity.

It appears from Clubb's message that he has already made his own arrangements for transportation, but in order to avoid any possible hitch I would appreciate your informing Executive Headquarters branch in Manchuria that transportation for Clubb, his staff and equipment has your approval. In the meantime, an American USIS radio technician is en route from Shanghai to Mukden to accompany Clubb for the purpose of setting up a radio station.

W. WALTON BUTTERWORTH

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Marshall Mission Files, Lot 54-D270

*Memorandum by the Minister-Counselor of Embassy in China  
(Butterworth) to General Marshall*

NANKING, September 10, 1946.

With regard to the project of reopening the consular establishment at Harbin, I am attaching a copy of a message from Clubb at Muk-

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<sup>35</sup> In a memorandum dated August 21 (OSE 389), General Marshall wrote that he had no objection to the plan for reestablishing the Consulate General at Harbin.

<sup>36</sup> See footnote 35, above.

<sup>37</sup> Neither printed.

den<sup>38</sup> which made it necessary to apprise General Chou En-lai of our intentions.

The Ambassador<sup>39</sup> and I talked with General Chou this morning, and he adopted the position that inasmuch as the United States was helping the Knomintang as against the Communists, they did not favor the establishment of an American consular office in Communist-controlled territory. He attempted to link the matter with the over-all negotiations now in train, pointing out particularly the unwillingness of the Generalissimo<sup>40</sup> to issue a general cease fire order. While refusing to enter into such a discussion, I pointed out to General Chou the obvious advantages to the Communist side of having the Consulate General established at Harbin, also indicating that consular offices of third powers, including the Soviet Union, were already functioning in Harbin. I also tried to make it clear to him that it would not be to the Communists' advantage to have a definite refusal on their part to permit the reopening of the office reported to Washington. I further pointed out that Li Li-san, in conversation with Clubb at Mukden in mid-August [*mid-July?*], had said that he (Li Li-san) had no objection to the reestablishment of the office, but because of the overall situation must refer the matter to Yen-an.

General Chou professed to have no knowledge of Li Li-san's conversation with Clubb but agreed to send a message to the Communist authorities in Manchuria and said that he expected to have a reply within four or five days. The Communists are obviously taking advantage of our desire to reestablish a Consulate General at Harbin to link the matter with the overall negotiations and, in spite of General Chou's promise to send a message to Manchuria, I doubt that permission for Clubb to proceed will be forthcoming.

In these circumstances, I believe there are but two possible courses of action open to us: (1) that if the reply to Chou's message to the Communist authorities in Manchuria is unfavorable, we force the issue by sending Clubb in without Communist permission either in an Executive Headquarters plane, or, to save Executive Headquarters from embarrassment, the plane of either the Military or Naval Attaché of the Embassy; and (2) in case of an unfavorable reply to Chou from Manchuria, a statement be made to the press that the Communists have refused permission for Clubb to proceed to Harbin.

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<sup>38</sup> Telegram No. 189, September 6, 2 p. m.; it reported that Chinese Communists in Manchuria required clearance for all Executive Headquarters aircraft and passengers proceeding to Harbin; and that Col. Andrew C. Tyschen, commanding officer of advance base of Executive Headquarters in Manchuria, was therefore reluctant to fly personnel of the proposed Consulate General into Harbin without Communist consent.

<sup>39</sup> J. Leighton Stuart.

<sup>40</sup> President Chiang Kai-shek.



In view of the functioning of other Consular offices at Harbin and the fact that the United States has permission of the recognized Government of China to reestablish an office which it has maintained in Harbin for many years prior to the war, I do not believe that we should submit longer to this intolerable situation. Furthermore, it is altogether possible that if General Chou is apprised of our intention to give publicity to the situation, he will not be prepared to risk aggravating American displeasure at and distrust of Chinese Communists.

W. WALTON BUTTERWORTH

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125.461/9-2846: Telegram

*The Consul at Mukden (Coffey) to the Secretary of State*

MUKDEN, September 28, 1946—5 p. m.

[Received October 3—8:55 p. m.]

211. This message from Clubb.

Secret indication by Embassy in its telegram September 24, 9 a. m. to Mukden after matter had been taken up with Chou En-lai that "possibility your (Harbin staffs) preceeding Harbin within immediate future with Communist approval now appears remote in view recent political developments" leads me respectfully offer for consideration Department and Embassy following review and observations ReDeptel 74, August 26: <sup>41</sup>

I was on October 4 last year designated by Department to proceed Manchuria to visit Harbin, Mukden and Dairen. As Department is aware, Soviet opposition sufficed to thwart American desire thus to observe course of events in Manchuria under Soviet occupation and I was forced eventually to leave Vladivostok by sea for Shanghai instead of entering Manchuria from USSR and was reassigned Mukden. Chase arrived Mukden in April with destination Harbin but as is also well known was unable proceed to his post. Communist obstructionism now is evidently going to be continued in respect to renewed project of staffs proceeding Harbin for legitimate purpose reopening American consular office there.

As background for this picture, would note that following foreign representatives are now in or near Harbin: Danish Consul Buck, French Consular Agent Lodjak, Soviet Consul Pavlichev (previously stationed at and now designated for Changchun), Executive Headquarters teams 35 and 36, Huangcheng and Tsitsihar respectively, and Japanese repatriation team. UNRRA <sup>42</sup> and CNRRA <sup>43</sup> representa-

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<sup>41</sup> Not printed; it instructed Mr. Clubb to proceed to Harbin when feasible to open the Consulate General and Mr. Chase to assume charge at Mukden pending arrival of Angus Ward, appointed Consul General (123 Clubb, Oliver Edmund).

<sup>42</sup> United Nations Relief and Rehabilitation Administration.

<sup>43</sup> Chinese National Relief and Rehabilitation Administration.

tives were scheduled to proceed Harbin yesterday, but have been held up at Changchun pending acquiring Chinese interpreter. Foreign visitors to Harbin have included reparation mission, UNRRA representatives, and newsmen on various occasions. Besides consular officers, Soviets maintain there various other representatives and are understood to have recently reached an agreement with National Government for opening consular office Tsitsihar as well as Mukden and Changchun (unconfirmed officially). It is fully apparent that Soviet representatives meet no opposition from Chinese Communist authorities to their entry into and residence in Manchurian territory under Communist control. Communists can offer no logic to oppose entry thereto of American diplomatic officials.

It is now obvious to observers that inability State Department representatives proceed on their official business to north Manchuria resulted in first instance from direct opposition of Soviets and results now from indirect Soviet opposition expressed through Chinese Communists. Reason for that opposition cannot be other than Soviet desire that there be exercised least possible American observation and influence in area in question. That Soviets will maintain that opposition until it is overcome by superior force is to be expected on basis past performance.

Manchuria is a region of primary importance to USA in current international relations. Stalin's <sup>44</sup> letter September 24 to *Times* representative expressed simultaneously Soviet interest in China and desire see American influence there reduced, in respect to Chinese internal affairs, by withdrawal troops. Procedure to be adopted to implement best American policies in East Asia must perforce be determined in general by consideration all pertinent factors. It is not my present purpose to consider general problem, but it seems incontrovertible in particular that American representatives should have access to their designated posts. Soviet dictates to contrary expressed through mouthpiece of Chinese political party, which itself enjoys privileges of maintaining its representatives in Nationalist territory and having them travel by American transport facilities, logically need not be accepted by a power commanding political resources and authority of USA. In such circumstances a halting before Communists' delaying tactics, and regard given to any implicit threats from that pressure for desired "privilege" might interfere with other and weightier matters, could I submit only play into hands of Communists and Soviet, who by established principle never give way on anything not benefiting them unless compelled by superior force to do so. I, of course, defer to superior position Department

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<sup>44</sup> Iosif Vissarionovich Stalin, Chairman of the Council of Ministers of the Soviet Union.

and Embassy for judging overall situation. But I offer my considered opinion that this is no side issue which might economically be sidetracked for other political matters bearing semblance of more urgency, but is part of the important whole.

I believe issue should be made clear-cut by categorically demanding of Communists clearance for American plane proceeding Harbin at scheduled day and hour with Consular staff under orders re-open office that point, and that the demand should be armed by explicit or implicit threat making it plain that any further Communist obstructionism would bring from American side positive action detrimental to Communist (and therefore Soviet) cause in China. I believe that it has now been proven that only forceful approach can rip open iron curtain blocking road to Harbin. Contel September 4, 1 p. m., September 5, 3 p. m. and September 26, 1 p. m. to Embassy.

Am planning proceed Changchun not later than upon return Chase to Mukden and unless transport facilities in meantime become available for Harbin travel I plan to develop temporary office already set up Changchun by Chase by expanding quarters and having clerk Dunn join rest of staff there. Radio-technician Snider returned Shanghai today in view present inability proceed Harbin but tentative plan is that he will return week hence to set up station at Changchun, thus giving office independent service. Staff at Changchun can perform valuable work of observation and representation during any interim period of waiting, but I would point to patent fact that acceptance over period time of that second-best post instead of Harbin would mean (1) acceptance defeat at hands weaker opponent with some possible consequent injury to American authority, (2) deprivation of Department, during period of exclusion, of political and administrative benefits to be gained by maintenance office at Harbin, and (3) in practice, probably the renunciation of project reopening Harbin until such time as Nationalist armies might reach that point. Such time by present indications would probably not be before next spring at earliest, and depending upon the interim developments might well turn out to be much later. I have felt it incumbent upon me, because of my present orders and the long delay thus far experienced in re-opening Harbin, to set forth position in this detail. I have done this in support of expression my firm conviction there should be no further delay, and of my recommendation respectfully urged that Department and Embassy fix upon procedure to overcome at this time Communist and Soviet opposition to our entry into Harbin to re-open consular office there as instructed.

Department please forward Nanking. [Clubb.]

COFFEY



125.461/9-2846 : Telegram

*The Acting Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, October 5, 1946—noon.

834. Dept suggests for consideration General Marshall and Emb early completion necessary arrangements re air transport Harbin consular personnel (Mukden's 211, Sept 28, 5 pm) whereupon Emb should officially inform Chinese Govt proposed transport schedule several days in advance of departure and informally convey same info to Chou En-lai requesting his good offices in order that party be afforded anticipated courtesies and facilities.

Dept does not approve use of threat of reprisals suggested in section 3 of Clubb's message. We believe firm proceeding with plans will prove (sent Nanking, repeated Mukden) effective.

ACHESON

125.461/10-1746 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 17, 1946—11 a. m.

[Received 8:30 p. m.]

1679. ReDeptel 834, October 5. Problem of reestablishing Consulate General [at] Harbin has received attention of Embassy since last April when Foreign Office informed Embassy that there was no objection on part of Chinese Government to such action.

In late April approaches to Soviet officials at Changchun for tentative arrangements land American aircraft at Harbin with Consular personnel were well received but were not productive before Soviet evacuation of city and its occupation by Chinese Communists. In May Communists informed Clubb at Mukden that Harbin Field was inoperable and therefore arrangements could not be made for the arrival of State Department personnel.

Following arrival Executive Headquarters truce team at Harbin, commanding officer of team was informed on June 21 by General Lin Piao that he could not be responsible for safety of American Consul General and was therefore opposed to his arrival before agreement was reached at Nanking for permanent settlement of Manchurian conflict. Although local Communist leaders in Manchuria subsequently indicated to Consul General, Mukden, that they would welcome the establishment of Consulate General at Harbin, it seemed evident that Communists have endeavored to tie question of establishing office to overall political negotiations in train at Nanking.

In late July Li Min-jan, political adviser to General Lin Piao, informed General Timberman, Director of Operations for Executive Headquarters, and the Consul General at Mukden that General Lin would welcome the establishment of the Consulate General at Harbin, but felt that it was necessary to refer the matter to Yen-an. He professed confidence that approval would be granted, but said that Yen-an would probably not act until approached by Embassy. Embassy has adopted position, however, that it could not approach Communists directly for permission to reestablish office at Harbin inasmuch as U. S. recognizes only National Government as central government of China and because that Government had expressed no objection to reestablishment of office. With approval of General Marshall on August 29, Embassy, acting on suggestion of Clubb, authorized him to make preparations proceed Harbin as soon as possible and requested his views with regard to desirability of informing Communist delegation at Nanking of proposed reestablishment of office prior to his departure from Mukden or whether he would prefer to proceed without prior notification. On September 4 Clubb expressed desire proceed Harbin without advance notification to Communists. On September 6, however, Clubb reversed his recommendation and requested that notification in advance of movement to Harbin be made to Communists. This was because the only practicable means of transportation for Clubb, equipment and staff was offered by military aircraft under control Executive Headquarters branch in Manchuria. It had been customary for Executive Headquarters to notify Communists of all flights to Harbin and personnel being carried thereon. In view of this procedure, Executive Headquarters was unwilling to transport Clubb and staff without prior clearance with Communists inasmuch as it was considered that Communist confidence in Executive Headquarters would be undermined by such action.

On September 10 the question of reestablishment of Consulate General at Harbin was discussed with General Chou En-lai at Nanking and he agreed to communicate with Communist authorities Manchuria. At that time he anticipated communicating with Embassy within a few days but no reply has been received to date despite followup inquiry of Communist delegation.

Embassy has considered utilizing aircraft of its Naval and Military Attachés, but General Timberman has expressed opinion to General Marshall that aircraft proceeding to Harbin without prior Communist clearance would undoubtedly be regarded as hostile and subject to attack.

Inasmuch as neither General Marshall nor the Embassy wishes to place the position of Executive Headquarters in Manchuria or Am-

erican lives in jeopardy, the question of Clubb's proceeding to Harbin has been held in abeyance. In the meanwhile political developments have obviously not improved the position.

Paraphrase to Clubb by courier.

STUART

125.461/10-1746 : Telegram

*The Acting Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, October 24, 1946—3 p. m.

925. Dept of opinion (Urtel 1679, Oct 17, 11 a. m.) we should not delay further reopening Harbin and it is hoped final arrangements will be made for Clubb proceed there in near future. Details flight should be communicated to Chou En-lai sufficiently in advance to enable him (Sent Nanking, repeated Mukden for Clubb) notify local authorities Harbin.

ACHESON

123 Clubb, Oliver Edmund : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, November 1, 1946—10 a. m.

[Received November 1—8:55 a. m.]

1788. Efforts have been continuous to obtain favorable action from Communist authorities Manchuria with regard to safe despatch of personnel to Harbin. As recently as October 30, representative of Communist delegation Nanking informed Embassy that General Chou En-lai was sending another message to Manchuria concerning clearance of flight to Harbin. (Deptel 925, October 27 [24].)

On September 11 in a memorandum to Embassy <sup>45</sup> General Marshall stated that he had no objection to Clubb and staff proceeding Harbin without Communist clearance "so long as American lives are not placed in jeopardy". In view of fact that General Timberman has subsequently reported to General Marshall that it is his considered opinion a flight into Harbin without prior Communist consent would result in hostile Communist action against the aircraft (as pointed out in Embtel 1679, October 17), Embassy cannot assume responsibility for ordering Clubb to proceed in absence of specific instructions from Dept., but it will continue to press for favorable action by Communists.

STUART

<sup>45</sup> Not printed.



125.141/11-746 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, November 7, 1946—9 p. m.

[Received November 8—4:05 a. m.]

1837. Admiral Cooke <sup>46</sup> sent following message to General Marshall:

"I suggest the advisability of considering the establishment of a consular representative in Antung. Such representation together with the operations of [apparent garble] four in Antung and adjacent area probably would be of material assistance in connection with the north Korea situation. Further, I believe such representation would serve to strengthen the hand of the Chinese Govt. in their effort to open the port of Dairen."

General Marshall sent the following message to Embassy with a copy to Admiral Cooke:

"I regard the matter as one for consideration by the Embassy and decision by the State Dept. Accordingly, I am forwarding Admiral Cooke's radio for such action as you may consider appropriate."

Embassy sent word to Admiral Cooke through Seventh Fleet Liaison Officer, Nanking, that for its part it agreed that Antung, situated as it is, would offer unusual opportunities and that it assumed that Seventh Fleet courier service to Dairen could be extended to it. Embassy indicated that there was no surplus personnel in China with which to staff such an office and that it was referring matter to Department for decision.

Please instruct.

STUART

123 Clubb, Oliver Edmund : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, December 3, 1946—11 a. m.

[Received 7:10 p. m.]

2023. For Clubb, Changchun: Embassy has reason to believe that Chinese Govt does not presently intend occupation Harbin. Repeated efforts to obtain your safe transport Harbin have been fruitless, and it cannot but anticipate that this situation will continue. Accordingly, you should be prepared to spend winter months at Changchun, and Embassy is clarifying with Chinese Govt your status there. Dept desires report on conditions in Antung area and estimate of desirability of establishing Vice Consulate as listening post.

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<sup>46</sup> Vice Adm. Charles M. Cooke, Jr., Commander, U. S. 7th Fleet.

You are hereby authorized proceed Antung at your earliest convenience and submit report to Embassy and Dept.

Sent Mukden 75, repeated Dept 2023, Dec. 3, 11 a. m.

STUART

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893.00/12-1046 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, December 10, 1946—11 a. m.

[Received December 10—12:20 a. m.]

2072. Department's attention directed to December 7 Ben Welles' *New York Times* interview with Li Li-san at Harbin in which Li is quoted as stating that Communists have refused to permit Clubb to proceed Harbin because of "present policy of United States which provides assistance Chiang to fight civil war".

In reply to question whether any other foreign powers would be permitted to open or maintain diplomatic or consular representation in Communist territory, Li stated "any power wishing to do so would be welcomed provided such power acted in accordance with Communist laws. Permission, however, would have to come from Yen-an".

In this latter connection the Acting Danish Consul, who is also Harbin manager for East Asiatic Company, has been recently expelled from Harbin. He was offered choice of withdrawing via Siberia or via Changchun; with assistance of Executive Headquarters aircraft he elected latter course. Nominal Communist explanation was that Danish Consul was at Harbin without proper documentation. Danish Minister called on Communist delegation Nanking to clarify position Danish Consul, Harbin, and delegation stated they would communicate with Communist authorities Harbin. Judging from my own experience in dealing through this channel on behalf of Clubb, it is not believed that any favorable result can be obtained and Embassy is forced to conclude that presence of official observers in Communist areas, particularly in Manchuria, will be discouraged.

In same interview, Li Li-san is reported by Welles to have stated that the Soviet Consul General at Harbin was not recognized officially nor was there any official liaison between Communist headquarters and Soviet Consul General, that all matters were handled by Harbin city administration.

STUART

125.461/12-1246 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, December 12, 1946—3 p. m.

[Received 4:18 p. m.]

2092. For Clubb, Changchun. Representative Communist delegation called at Embassy December 11 and stated that reply from Communist headquarters Manchuria (Embtel 2023, December 3, repeated Mukden 75) states that inasmuch as Harbin is area military operation, consular offices will not be allowed to function there. For this reason Acting Danish Consul had been requested to withdraw. (Embtel 2072, December 10.)

Communist representative denied that Soviet consular officials are operating at Harbin officially and further denied knowledge as to whether any were there in an unofficial capacity. On this latter subject, however, he was vague and showed tendency to hedge.

Sent Mukden 81; repeated Dept. 2092, December 12, 3 p. m.

STUART



DIFFICULTIES ENCOUNTERED IN RE-ESTABLISHMENT  
OF CONSULAR POST AT DAIREN; INTEREST OF THE  
UNITED STATES IN THE INTERNATIONAL STATUS OF  
THE PORT OF DAIREN

123 Sturgeon, Leo D. : Telegram

*The Secretary of State to the Chargé in the Soviet Union (Kennan)*

WASHINGTON, March 6, 1946—11 a. m.

400. Please get in touch immediately with appropriate Russian authorities and request prompt action on the following matter:

US Consul General, Leo D. Sturgeon, with staff, will leave Shanghai for Dairen on or about March 6 aboard the SS *Check Knot*. *Check Knot* is expected to arrive Dairen on or about March 9. It is urgent that port authorities at Dairen be advised to make arrangements to receive and berth the *Check Knot* on arrival at Dairen.

BYRNES

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123 Sturgeon, Leo D. : Telegram

*The Secretary of State to the Consul General at Shanghai (Josselyn)*

WASHINGTON, March 12, 1946—1 p. m.

376. For Sturgeon. Referring your assignment to reestablish Consulate Dairen China notify Dept by telegram date arrival new post which will be considered date reestablishment of office and date office opened to public which will be earliest practicable date after location office quarters and installation necessary equipment. Detailed instructions will be forwarded via Shanghai by airmail.

Obtain such office supplies as needed from stockpile Shanghai, later requisitioning from Department needed equipment or furniture not available from Shanghai.

Dairen office authorized after opening to public to perform all the usual consular services including all citizenship services (including the issuance of passports) and all visa services.

BYRNES

125.351/3-1346 : Telegram

*The Consul General at Shanghai (Josselyn) to the Secretary of State*

SHANGHAI, March 13, 1946.

[Received March 13—3:27 a. m.]

424. Following from Dairen received March 13 in clear:

(Sent to Chungking as No. 182, March 13; repeated to Dept as 424).

"For the Embassy, Chungking, 2, March 12.

Have made preliminary arrangement for reestablishing consular representation Dairen with concurrence of Soviet authorities. Facilities to be made available for communication regarded by authorities as subject for arrangement between respective governments. Question of other consular facilities to be discussed locally after establishment of representation. In course of discussion Commandant indicated necessary consider subject in late [*light*] existing military situation and within framework of Sino-Soviet treaty.<sup>1</sup> Offered such cooperation and assistance as within powers. Signed Sturgeon."

JOSSELYN

740.00119 PW/3-1846 : Telegram

*The Vice Consul at Tsingtao (Service) to the Secretary of State*

TSINGTAO, March 18, 1946—11 a. m.

[Received March 19—7:15 a. m.]

20. Following from Sturgeon.<sup>2</sup>

(Sent to Chungking as 19, repeated to Dept 20 and Shanghai 17, March 18, 11 a. m.)

"No. 6, March 18.

Summary situation at Dairen in respect consular representation:

(1) Soviet authorities maintain that conditions of peace and civil order not established Dairen area. Accordingly they are applying military law and regard that as still necessary.

(2) Civil administration appears nominal character with locally elected Chinese mayor and small Chinese police force apparently performing minor functions, while main responsibility for maintenance of civil order in hands of Soviet military authorities.

(3) [Apparent omission] law and order reported to US by authorities as very unsettled, due to continuance of warborn strife among Chinese and Japanese population and continued opposition of certain Japanese and former Manchukuo puppet elements to Soviet control. Most activities take place during daylight hours as streets considered unsafe at night.

<sup>1</sup> Signed at Moscow, August 14, 1945, United Nations Treaty Series, vol. 10, p. 300, or Department of State, *United States Relations With China* (Washington, Government Printing Office, 1949), pp. 585-596.

<sup>2</sup> Mr. Sturgeon had left Dairen on March 16 for Shanghai via Tsingtao.

(4) From physical appearance city appears not to have suffered seriously from destruction of industrial plants, commercial, and residential buildings. Much evidence of minor damage to buildings and neglect of upkeep. Condition of streets near normal but traffic extremely light.

(5) Living conditions for general population appear to be at bare subsistence level with respect to food. Shops and markets selling food few in number and prices generally high. Housing appear adequate owing to marked growth of city and apparent decrease in population probably due to evacuation of much of foreign and Japanese population. Public utilities including light and power systems apparently operating on a restricted base.

(6) With respect public transportation, local facilities appear confined to infrequent street car service, few horse-drawn carriages, taxis non-existent. Passenger train service consists of two in and out bound trains daily connecting with Harbin on the Chinese Changchun Railway. Freight understood limited to 20 cars per day.

(7) Very little industrial or economic activity is apparent. No commercial ships appear to be entering harbor other than Russian and these few in number. Trade slight consisting of small exports to Russia. Bean milling, principal industry, appears to be in Russian hands but unable to determine extent of activity. Banking limited to one Soviet and two Chinese banks, latter reported inactive.

(8) With regard consular representation, Commandant emphasized that this subject and related matters should be dealt with in light of military situation and with due regard to the special position Dairen assumes under the terms of the Sino-Soviet treaty. In view of this and conditions described above, possible functions of consular staff will naturally be limited for indefinite time. Also appears advisable select staff adaptable to existing conditions and to provide special instructions covering duties and relations with Soviet authorities. Believe highly important that Soviet treaty position be frankly recognized and carefully respected and that this constitutes best basis for consular relations with Soviet authorities.

(9) Further believe Dairen situation offers special opportunities consular officials contribute to development favorable attitude on part Soviet authorities toward representatives American firms and business enterprises. Establishment consular representation on basis which Soviet authorities would understand as friendly and of mutual benefit should also contribute in large measure to American interest and Soviet-American relations generally. Under present conditions consular activities should probably be at first restricted to accord with existing military and political situation, and be extended only as an atmosphere of understanding and cooperation is established. Seems not too much to expect that creation good working relations Dairen may favorably affect US-Soviet cooperation elsewhere in Far East. From this viewpoint objective at Dairen may be regarded broader character than usual consular function.

(10) Despite limited sphere of activities, the task of functioning under special and difficult conditions, while laying groundwork for activity on broader scope, appears to warrant a capable and well-equipped staff.



(11) It has been made clear by Commandant and his representatives that facilities available to consular officials for communication will be subject for arrangement between respective governments. The question of other available facilities apparently must also await establishment of representation and subsequent arrangement. This applies also to question of entry representatives of American business firms. Our discussions appear to make it quite clear that, owing to abnormal situation prevailing, work of consular officials in Dairen will be regulated by the need to obtain permission from Soviet authorities at various times.

(12) Recommendations regarding staff, consular and residential quarters, supplies and equipment being made in separate telegram."

[Sturgeon]  
SERVICE

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123 Sturgeon, Leo D. : Telegram

*The Consul General at Shanghai (Josselyn) to the Secretary of State*

SHANGHAI, March 20, 1946—9 p. m.

[Received March 20—7:15 p. m.]

468. Following from Sturgeon.

"Number 11, March 20. As indicated my number 4, March 16,<sup>3</sup> Department's instructions<sup>4</sup> relative departure Dairen not received in time to comply. Instruction finally received via Shanghai about 12 hours after leaving Tsingtao as reported my number 8.<sup>5</sup>

Regret non-receipt instructions but believe subsequent (repeated Chungking as 213) messages will indicate careful groundwork laid for return. Particular reasons for referring [*deferring*] actual opening of office were: (1) telegraphic communication on basis permission each message making prompt or effective reporting impossible, (2) belief Ambassador's<sup>6</sup> presence Washington might warrant being in position consultation, (3) lack of permanent personnel, supplies and necessity arrange these matters to meet abnormal conditions. Although health has not been good, this factor was considered mainly in connection with request made for assistance of experienced officer in case of return.

Appreciate that Dept's instruction possibly based on special consideration of which I could not be informed. On other hand, trust Dept's view of our action will take account of Embassy's confidential instruction<sup>7</sup> regarding particular purpose of Mission, i. e., to test entry of consular officers in [Soviet?] controlled territory. This having been accomplished my efforts were devoted to consideration of

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<sup>3</sup> Not printed.

<sup>4</sup> Dated March 15, not printed.

<sup>5</sup> Dated March 18, not printed. Mr. Sturgeon had left Dairen on March 16 for Shanghai via Tsingtao and arrived March 20.

<sup>6</sup> General of the Army George C. Marshall, Special Representative of President Truman in China, with personal rank of Ambassador; see vol. ix. pp. 341 ff.

<sup>7</sup> See telegram No. 378, February 27, 5 p. m., p. 1135.

ways and means to establish effective Consular representation including the development of a satisfactory basis of cooperation with the Soviet authorities at Dairen. In view of apparent uncertainty of the further period of stay Soviet forces in Dairen area, this latter objective appeared especially important. Desire mention this connection conference with [Admiral<sup>8</sup>] Tsingtao at which he expressed satisfaction with results of Mission and took preliminary steps to support our further plans. Signed Sturgeon."

JOSSELYN

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123 Sturgeon, Leo D. : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

[Extract]

CHUNGKING, March 23, 1946—9 a. m.

[Received March 23—6:10 a. m.]

545. Reasons given by Sturgeon for unauthorized withdrawal from Dairen (Shanghai's 468, March 20 to Department repeated Chungking 213) are not considered by Embassy as satisfactory explanation for his action. There is nothing in Embassy's confidential instruction mentioned by Sturgeon (namely, Embassy's 141, February 27, to Shanghai repeated Department 378<sup>9</sup>) which would in any way [have] authorized him voluntarily to withdraw without specific orders. Embassy is at a loss to understand his hasty departure from Dairen and withdrawal of all personnel with him after considerable effort expended in establishing him there.

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SMYTH

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123 Sturgeon, Leo D. : Telegram

*The Chargé in the Soviet Union (Kennan) to the Secretary of State*

Moscow, March 25, 1946—noon.

[Received March 25—10:39 a. m.]

934. Would be pleased to learn why Sturgeon and staff are returning to Shanghai (re Sturgeon's 20, March 18 to Dept). Was it planned that they were to proceed to Dairen and return to Shanghai or was return to Shanghai result of difficulties encountered in establishing office in Dairen?

I am delighted to learn that Sturgeon has had good initial impression and considers that Dairen offers opportunities to develop

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<sup>8</sup> Vice Adm. Charles M. Cooke, Jr., Commander, U. S. 7th Fleet.

<sup>9</sup> Dated February 27, 5 p. m., p. 1135.

favorable attitude on part of Soviet authorities toward American business as well as to contribute to Soviet-American relations. I think I should remind Dept, however, that in pressing for treaty concessions finally granted them with respect to Dairen, Molotov<sup>10</sup> made it clear to us that what Russians were particularly interested in there was actual police control (he even used the word "police", which is rarely used in Soviet vocabulary when referring to Soviet Government organs). This means that power in Dairen, regardless of exact wording of Sino-Soviet Agreement, will doubtless be exercised in effect by organs of Soviet Ministries of Internal Affairs and State Security. Local branches of these organs are usually led by bigoted and fanatical men, hostile to and suspicious of foreigners and inclined to keep particularly close watch on [British and Americans]. In past, their activities with respect to foreign consuls have been anything but helpful from standpoint of Russian international relations. Regardless of initial cordiality (which in Russian terms means next to nothing), we must expect on basis of previous experience that tendency of Soviet authorities will be,

(a) To cut off contact between members of our consular staff and local inhabitants, by means of intimidation and punishment of local citizens who associate with our people or visit our consular office;

(b) To restrict as far as possible travel and other facilities for observation on part of staff of our establishment;

(c) To restrict and curtail in every way opportunities for exercise of consular functions, in the hopes that our Government will itself eventually conclude that it is unprofitable to maintain an office there and will voluntarily withdraw it.

I hope whoever is stationed in Dairen will keep this Mission closely informed of his experiences with Soviet authorities. If these experiences should vary in any respect from pattern outlined above, this development would be of considerable interest from standpoint of general Soviet attitude and policies in that area.

KENNAN

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123 Benninghoff, H. Merrell : Telegram

*The Acting Secretary of State to the Ambassador in the Soviet Union (Smith)*

WASHINGTON, March 30, 1946—1 p. m.

593. Josselyn is addressing following letter to Soviet Consul General, Shanghai on March 30. Please take such action Moscow as you consider desirable and appropriate:

"With reference to the recent journey to Dairen of Consul General Leo D. Sturgeon, I have been instructed by my government to inform

<sup>10</sup> V. M. Molotov, Soviet Commissar for Foreign Affairs.



you that Mr. H. Merrell Benninghoff has been assigned to Dairen. He will be accompanied by Mr. Ashley Guy Hope and Mr. John P. Coffey. They will be joined at a later date by a fourth appointee.

Mr. Benninghoff and party will travel to Dairen aboard the SS *Check Knot*, the same vessel which went to Dairen previously. The ship is now scheduled to leave Shanghai on March 31, 1946 and after a stop at Tsingtao it will proceed to Dairen arriving there on or about April 7. The master of the ship will get in touch by radio with the port authorities of Dairen regarding entry and pilotage, in accordance with arrangements made by Mr. Sturgeon. After a short stay in Dairen, the vessel will proceed to Taku Bar on its normal freight run to North China ports.

In addition to their personal baggage, Mr. Benninghoff and party will have with them, for their personal and official use, the following:

a. Three motor cars, with 11 drums of gasoline and a small amount of oil and grease;

b. A supply of food stuffs and groceries;

c. A small amount of medical and other equipment.

One of the motor cars, as well as some personal baggage and other supplies not included above, is destined for American consular officers elsewhere in Manchuria for shipment when transportation facilities are available.

It is requested that the above information be conveyed to the appropriate authorities of your government. It should be emphasized that the schedule of the ship is subject to alteration on account of uncertainties of the weather and of handling cargo."

ACHESON

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123 Sturgeon, Leo D.

*Consul General Leo D. Sturgeon to the Secretary of State*

SHANGHAI, April 18, 1946.

[Received April 30.]

SIR: With reference to the Department's telegram no. 606, April 10, 6 p. m.,<sup>11</sup> and Shanghai's no. 647 April 16, 4 p. m.,<sup>12</sup> I have the honor to present below a detailed statement relative to my recent trip to Dairen and my reasons for departure following discussions with Soviet authorities and the making of arrangements for reestablishment of consular representation.

It is believed that consideration of this matter should be prefaced by reference to certain background material which had to do with preparations and our approach to the problem of reestablishing a Consulate at Dairen. This appears especially pertinent because of

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<sup>11</sup> Not printed; Mr. Sturgeon was requested to submit a detailed statement of his reasons for unauthorized departure from Dairen.

<sup>12</sup> Not printed.

the uncertainty which prevailed for a considerable time as to what might be done in regard to American consular representation in Soviet controlled areas of Manchuria.

Originally it was indicated in the Department's instructions that our Consulates would be reopened when and as the Chinese Government was able to take over control of the various districts in question. The taking over process met with so many obstacles and was so slow that as late as mid-February the Chinese Foreign Office informed our Embassy at Chungking that it would "not be practicable for the time being" for American consular officers to return to Manchuria.<sup>13</sup> With the exception of Mukden there was no prospect of the Chinese Government being able to take over at an early date, and rather clear indication that the Soviet authorities were expected to remain in Dairen indefinitely. The result of this was that we had little reason to believe in Shanghai that the Department intended opening consular offices in Soviet controlled areas. The Department's telegram no. 261 of February 19, 7 p. m.,<sup>14</sup> assigning Consul General Clubb to Mukden where, the message stated, "there are understood to be numbers of Chinese officials and troops," appeared to confirm our understanding that offices would be opened only in Chinese-controlled territory.

In these circumstances food supplies and the like, assembled for Dairen at the expense of officers concerned, were not held together, resulting in difficulty in again obtaining them when instructions were unexpectedly received to proceed to Dairen. However, when the Embassy informed us, in response to a request for instructions as to extent of my functions at Dairen, that the chief purpose of the trip was to "determine whether or not Russian authorities will refuse entry of our consular officers into Manchuria," it was generally thought here that our mission could properly be regarded as exploratory. Restriction of accompanying consular personnel to one assistant appeared also to indicate this (see Shanghai's 123 of February 26, 4 p. m.,<sup>15</sup> and Chungking's no. 378 of February 27, 5 p. m. to Department<sup>16</sup>).

The Department is of course aware that the trip to Dairen was, finally, placed on an urgent basis with regard to departure from Shanghai.

The conditions here outlined resulted in our arriving in Dairen without necessary supplies, equipment, or personnel to establish ef-

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<sup>13</sup> See telegram No. 314, February 16, 4 p. m., from the Counselor of Embassy in China, p. 1133.

<sup>14</sup> See footnote 12, p. 1133.

<sup>15</sup> Not printed.

<sup>16</sup> *Ante*, p. 1135.

fective consular representation. I am anxious, however, to have this considered simply as a statement of circumstances which had bearing on subsequent judgments and action.

The decision to depart from Dairen was taken only after numerous discussions with Soviet authorities, including the Commanding General for the Dairen area. After several days of negotiations, with results which were reported telegraphically, it appeared that satisfactory groundwork had been laid for the resumption of consular representation. In view of our lack of essential supplies and equipment (materials unavailable locally) and personnel, however, it did not seem advisable immediately to open an office. It was realized that the Department would not wish unduly to delay doing so, but it did not appear in the interest of American prestige to make an inadequate beginning in an area where the early development of an influential position seemed necessary and vital. There seemed also every reason to believe that the Department would want prompt and fairly complete reports on the situation at Dairen which could not be made from within the area owing to restrictions upon communications. This was a factor which I regarded as of considerable importance.

Because of these considerations my proposal to depart from Dairen temporarily, for purposes of obtaining supplies, and personnel, and making necessary reports, was telegraphed to the Embassy and the Department. As recalled in Shanghai's no. 647 of April 16, 4 p. m.,<sup>17</sup> the proposal was made on a contingent basis and carried out only when no instruction to the contrary was received. It was my intention to return as soon as the stated purposes should be accomplished. The Soviet were informed of this, gave every indication that it was understood, and offered assurances that no difficulties would be encountered in connection with re-entry.

Finally, it may be well to add that none of the Department's substantive instructions relative to the opening of the Consulate at Dairen and the functions to be undertaken were received prior to my departure from Shanghai for Dairen. Therefore practically all matters in connection with the mission to Dairen, including negotiations with the Soviet authorities, were of necessity undertaken along lines determined by me in the light of the situation found there. It appeared that we had been successful in regard to the important matter of establishing necessary relationships with the Soviet authorities and in arranging for consular representation in an unusual situation, i. e., an area under Soviet military control. The subsequent re-entry, without difficulty, of Consul Benninghoff with permanent personnel now appears to confirm this.

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<sup>17</sup> Not printed.



In the event the Department has found reason to question judgments made in the circumstances outlined above it is hoped that, on the other hand, recognition can be given with respect to the results of the mission, which I believe may be regarded as one of considerable importance and extreme difficulty. It was gratifying to me to have the opportunity to perform this service and I am desirous that any questions concerning it be answered as clearly as possible.

Respectfully yours,

LEO D. STURGEON

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125.3516/4-2546 : Telegram

*The Ambassador in the Soviet Union (Smith) to the Secretary of State*

Moscow, April 25, 1946—10 a. m.

[Received April 25—9:15 a. m.]

1325. ReDeptel 688, April 12.<sup>18</sup> Benninghoff apparently unable to telegraph Dept from Dairen. He sent following telegram to Soviet FonOff which FonOff repeated to us in its note 650, April 21:

"To Deputy Minister Lozovsky. American Embassy No. 17. Arrived April 7. Cordially met by local authorities. Am doing everything necessary for speedy opening. Please discuss with Soviet authorities question of telegraphic communications between Embassy and Consulates in China, also Washington. Inform Washington. Benninghoff."

SMITH

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125.3516/4-2546 : Telegram

*The Ambassador in the Soviet Union (Smith) to the  
Secretary of State*

Moscow, April 25, 1946—2 p. m.

[Received April 25—12:06 p. m.]

1339. Chief of American Section FonOff was requested by Kennan in writing and orally today (ReEmbs 1325, April 25) to provide Benninghoff with necessary direct communication facilities with Department and American official establishments in China and USSR. FonOff being requested to so inform Benninghoff.

SMITH

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<sup>18</sup> Not printed.

123 Benninghoff, H. Merrell

*The Consul General at Dairen (Benninghoff) to the Chargé in China  
(Robertson)*<sup>19</sup>

No. 1

DAIREN, April 27, 1946.

SIR: I have the honor to submit an account of my initial activities in Dairen since the arrival of myself and staff on the *M. V. Check Knot* on April 7, 1946. It was apparent from the moment the ship tied up at the dock that our arrival had been anticipated, as a group of Russian and Chinese officials, including the Harbor Master, the Chief of Police of the Port Area, and a representative of the local Soviet Commander, boarded the vessel and made us welcome. Two trucks were made available to transport our baggage and supplies, and within two hours we were installed in the former Yamato Hotel, now known as the Red Star Hotel.

*Courtesy Calls*

It was not until eight days later, on April 15, that I was able to arrange a call on Lieut. General G. K. Kosloff, Commanding General of Soviet Forces in Dairen. The General was cordial in his welcome, and stated that he had been apprised in advance of our arrival and that we would be permitted to open a consular office. The various subjects discussed in this conversation are covered separately below. During the conversation, the General was at particular pains to point out that the Soviet Union, by virtue of its Treaty with China of August 14, 1945, enjoys special rights in the "Port Arthur Naval Base Area" (somewhat smaller than the former Kwantung Leased Territory), and that, as provided in the agreements concerning Port Arthur and Dairen attached to the Treaty, Soviet military regulations are applicable in the free port of Dairen as long as a state of war exists between Japan and the Allied Powers.

On April 20, a call was made on the Mayor of Dairen, Che Tse-hsiang, and the Vice Mayor, Chen Yuan-tou. The conversation was largely of a formal character, and after the usual introductory amenities, was devoted to such generalities as the desirability of reopening the port to commerce and shipping as soon as possible.

Calls have also been made at the Soviet, Danish and Swedish Consulates, the only other such establishments now in Dairen. I have also indicated a desire to call on the Commanding General at Port Arthur, but have been informed that he is indisposed and will receive me at a later date.

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<sup>19</sup> Addressed to Walter S. Robertson as technically Chargé. Mr. Robertson was actually in Peiping as American Commissioner of Executive Headquarters set up in connection with efforts to stop fighting between Chinese Nationalist Government forces and Chinese Communists.

*Communications*

Dairen is practically devoid of normal communication facilities. Postal services are completely suspended and the only telegraphic facilities are those controlled by the Russians. There is a Soviet passenger air service to Harbin, but this no longer calls at Mukden or Changchun. Ships do not sail to other than Soviet ports, and the railway to Mukden is not operating because of "plague" to the north.

During my call on General Kosloff, I raised the question of sending telegrams to the Embassy, as well as to other consulates in China and to the Department, stating that it would be impossible for me to carry out my duties unless I was able to communicate freely with the Embassy and with the Department. The General replied that as the Chinese Government had not yet opened commercial telecommunication facilities in Dairen, the only channel remaining was that provided by the Soviet Army. He admitted that his operators could very easily get in touch with non-Soviet radio stations, but he added that he could not authorize them to do this without specific instructions from Moscow. He suggested that I follow the example of the Danish and Swedish Consulates and ask the Soviet Consulate to transmit a message through the Soviet Foreign Office to the American Embassy in Moscow, requesting that the problem of communications be taken up at the government level. (It will be recalled that the General made this same suggestion to Consul General Leo D. Sturgeon when the latter visited Dairen early in March). Accordingly, the Soviet Consulate on April 17 accepted a message in the Russian language from me to the American Embassy in Moscow reporting my arrival and requesting that the question of telegrams be taken up with the Soviet Government. A reply thereto has not yet been received.

When I raised the question of whether this office could bring in and use its own radio transmitter, the General referred to the special treaty position of the U. S. S. R. in this area and said that the matter would have to be arranged between the governments concerned. In a later conversation, the representative of the Soviet Consulate raised the question of the attitude of the Chinese Government, but I assured him that as American offices elsewhere in China had radio facilities, I did not believe that the Chinese Government would object to their being installed in Dairen.

*Courier Service*

General Kosloff, as well as the representative of the Soviet Consulate, gave every indication that facilities would be extended to diplomatic couriers, and offered to arrange plane priorities for a courier, or for a member of my staff acting as such. As stated above,



however, Soviet aircraft do not stop between here and Harbin, and at present I know of no advantage to be gained by sending a messenger to that city. From the tone of the General's conversation, I believe that properly accredited couriers will experience no difficulty with the Russians as soon as rail and other travel facilities are again available.

### *Protection of American Interests*

During my call on the General, I said that as one of my duties was the protection of American properties, I should like to inspect them as opportunity offered. I mentioned that the most important were the installations of the Standard Vacuum Oil Company and the Texas Company (China) Ltd., but that there were other American properties which I was then endeavoring to identify. The General in reply gave me the "freedom of the city" with the exception of the port area where the oil installations are located. He said that the question of visiting these properties would have to be referred to his superiors. A few days later he sent me a message which, while not an absolute refusal, expressed a desire to "keep the question open" for the time being. (I became familiar with this device during the Joint U. S. Soviet Conference in Korea.) The message added that the installations were intact and not in use, which information is apparently accurate insofar as it can be checked by observation from a distance.

When American properties are identified and their condition ascertained, individual reports thereon will be submitted.

### *Quarters*

This office has been temporarily installed in the offices of Bryner and Company, a Swiss transportation and shipping firm, now doing practically no business. The company's godown, in which the American consular property was stored during the war, occupies the ground floor with the offices just above. The arrangement is convenient in that it gives us easy access to the equipment, which, for lack of space, cannot be moved upstairs, but eventually more commodious and private office quarters must be found.

Messrs. Hope, Coffey and myself have rented the home of Mr. Felix Bryner, which is located in the best residential section of the city. The question of housing will become acute when Foreign Service families are permitted to come to Dairen. The influx of the Red Army with no corresponding decrease in the Japanese population has created a serious shortage.

The question of rental or purchase of realty is complicated by the apparent lack of any policy or program concerning Japanese property, and by the possibility that any contract negotiated now might be invalidated by future action of the Chinese Government.

*Opening of Office to Public*

I have not yet opened this office to the public, in the sense of performing routine consular services. The chief reason is that it has so far been impossible to open the safes containing the seals, legend machine, and the rubber stamps for passports, visas and the like; the safe combinations were supposed to be among the papers handed me in Shanghai, but such was not the case, and I received no reply to my urgent telegram on the subject to the Department from Tsingtao. Local locksmiths are endeavoring to open the safes, but so far without success, and I hesitate to have them blown or drilled open until such drastic measures are warranted.

This delay in opening the office is not of great importance, however, as the only persons requiring routine services can well afford to wait for their passports, visas, notarials et cetera until such time as transportation and communications are again available.

In the meantime, I am calling on officials and receiving callers and otherwise making the reappearance of American officials felt in Dairen.

Respectfully yours,

H. MERRELL BENNINGHOFF

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893.00/5-1046

*The Consul General at Dairen (Benninghoff) to the Chargé in China  
(Robertson)* <sup>20</sup>

No. 4

DAIREN, May 10, 1946.

Subject: Survey of Political Situation in Dairen.

SIR: I have the honor to submit some comments and observations regarding the political situation in Dairen. It should be remembered that during the four weeks my staff and I have been here we have been almost completely cut off from reliable news of the outside world. We know nothing of the negotiations regarding Manchuria said to be taking place at Chungking and Nanking. We have been unable to communicate with the Embassy or the Department, and we do not know whether our message to the Embassy at Moscow sent through the Soviet Consulate here on April 17 was ever delivered. The comments and conclusions contained herein, therefore, were arrived at from the strictly local viewpoint.

*Basic factors*

The most important single political factor affecting this area is of course the Treaty and related documents signed by representatives of the Chinese Government and the Soviet Union on August 14, 1945.

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<sup>20</sup> Copy received in Department about July 22.

The sovereignty of China over the area is recognized, and the National Government is acknowledged as the central government of China. The U. S. S. R., however, acquired certain special rights by the provisions of the Agreements relating to Port Arthur and Dairen. The effect of these two documents is to make the actual administration of the "Port Arthur Naval Base Area" (somewhat smaller than the former Kwantung Leased Territory) a matter for the Chinese Government, but the Chinese administration must fulfill the proposals of the Soviet military commander with respect to security and defense. However, Dairen is excluded from "the sphere of efficacy of the naval base regulations" during peacetime, and is under military supervision or control only in case of war against Japan.

### *Soviet Policy*

Lieutenant General G. K. Kosloff, Commandant of Dairen, made it clear in my first interview with him that as a state of war with Japan was still in existence, and as the Soviet Union had special rights and obligations by virtue of the Sino-Soviet Treaty, Dairen must still be considered as subject to Soviet's military regulations. Accordingly, he stated, the port area of the city was restricted and official visits to the installations of the American oil companies must be deferred for the time being.

Another fact of great importance in the local situation is the complete absence of representatives of the Chinese Government. Preliminary observation leads me to believe that the Russians will use this to the limit in preventing or obstructing the development of American and other interests and the opening up of the port of Dairen. For instance, when I raised the subject of telegraphic communications during my initial conversation with General Kosloff, he stated that as the Chinese Government had not yet been able to re-open commercial facilities, the only channel now open was under the control of the Soviet military. Similarly, when I raised with the Soviet Consulate the question of installing my own radio transmitter, the attitude of the Chinese Government, as well as those of the American and Soviet Governments, was mentioned.

The great question, of course, is the interpretation of the expression "open port". While I have not yet felt myself well enough installed to broach the subject directly with Soviet officials, responsible persons with whom I have discussed the matter state that the Russians have always been evasive when the question is raised. Under the terms of the Agreement concerning Dairen, the Chinese Government must declare the port open, and must appoint certain officials. Neither of these steps has been taken, so far as this office is aware. The Russians, therefore, are in a position to state, when pressed, that they



cannot open the port as a unilateral act, and must await the arrival of Chinese officials.

In the meantime, the port is closed to non-Soviet ships, while from eight to twelve Russians vessels are constantly in the harbor reportedly loading cargo of all kinds for shipment to Soviet ports.

#### *Local Chinese Administration*

It is interesting to note that the Russians took cognizance of the absence of Chinese officials when they officially relieved the Japanese and installed a local Chinese administration two months after their arrival in the city. (Japanese officials had of course long since disappeared.) Order No. 11 of October 28, 1945, issued by General Kosloff, states (in unofficial translation):

“Until the National Government of the Chinese Republic assumes power in conformity with the Agreements (of August 14, 1945), and taking into consideration the unanimous wish of the conference of representatives of the civil organization of the Chinese population of Dalny (Dairen) held on October 27, 1945 . . . I appoint . . .<sup>21</sup> to the post of Mayor of Dalny (Dairen) the Chinese citizen Chi Tse-sian, and to the post of Deputy Mayor the Chinese citizen Chen Yun-tao.”

It is not without significance that the Mayor may act only with the concurrence of the Deputy Mayor, and that although the former is an old resident, the latter is a recent arrival.

The local Chinese administration, which is of course strictly controlled by the Russians, is thus purely provisional and derives no authority from the Chinese Government. It cannot, therefore, open up the port, appoint officials, or take any other action provided for in the Treaty and related documents. (Materials are being collected for a detailed study of this administration.)

Coming as I did from the super-charged political atmosphere of Korea, I was immediately struck by the almost complete absence of political activity in Dairen. There are only a few political posters visible in the streets, and although the sole newspaper being published (a Chinese language daily) uses Yen-an exclusively for its foreign news and generally follows the Chinese Communist line, there is no overt attempt to strengthen the Communist Party or to install it as the sole legal political organization. The local Chinese administration is not known or propagandized as a Communist government, although there are a few known Communists in it. The Deputy Mayor, mentioned above, is thought to be a Communist from either Shantung or Yen-an, but that is not definitely known. The Mayor, and most of the other officials, are long-time residents of Dairen.

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<sup>21</sup> Omissions indicated in the original despatch.

*Law and Order*

Under the Chinese administration mentioned, there has been set up a police or "Public Peace" organization. This appears to have been largely recruited from local coolies; it is armed with rifles of Japanese origin, and is of doubtful efficiency. It is officered by persons of some military training, whose logical source would be the Eight Route Army. Russian military police are only in slight evidence, and then only as guards for Russian residences and buildings. As a matter of fact, Russian troops are relatively scarce in Dairen, the larger concentrations being in Port Arthur and elsewhere on the peninsula. Most Russian officers and men are armed.

Although curfew has been officially eliminated, there is practically no traffic between sundown and sunrise. Shops begin to board up their premises by five p. m., while restaurants and bars are closed by six p. m. Rifle shots and machine-gun bursts are heard frequently throughout the night and are not unknown during the day. Robbery and shootings of a professional and non-political character are said to be numerous, with Russians, Chinese and Japanese all being the assailants. There is also reported to be a good deal of friction between two Chinese political factions, while in the past few days rumors have been heard of increasing assassinations of Russians by Japanese. There are no reliable reports, but conditions are generally regarded as unsatisfactory. Residents state, however, that the situation is better than it was several months ago when the Russian troops were under less control than at present.

*The Japanese*

There are estimated to be 240,000 Japanese in the area, including a substantial number of refugees from Manchuria. All military and official Japanese have been removed by the Russians and no information is available concerning their whereabouts. Those remaining are not suffering under any particular disability. They are permitted to engage in such trade and commerce as exists, and a great number are being retained as technicians and specialists of one kind or another. They are denied the right of public assembly and the only organization permitted them is the officially-sponsored "Japanese Labor Association", but otherwise their treatment by the Russians is so favorable that the Chinese are understood to be critical.

The Japanese are of course greatly interested in the question of their repatriation, and many of them thought that this office would have information in that regard. A number of Japanese formerly associated with American firms have called, and have expressed disappointment that the Americans are not prepared to send them home. They have heard of repatriation from Shanghai, Tsingtao, and more

recently from Hulutao, and are anxious to be included. However, if it is made clear that they will be allowed to remain in this area and to engage freely in trade and commerce, probably a large number would choose to remain. Several have told me that they realize there is little for them to do in Japan, and that if they could be assured that as a matter of policy they could remain comfortably in Dairen, they would choose to do so.

### *Conclusions*

It seems apparent that the Russians intend to play their hand in Dairen in such a manner as to exclude American and other Allied interests for as long as possible, and that they will use their Treaty position and the continued absence of Chinese Government officials (a condition which they have doubtless sedulously cultivated) to that end. When they eventually agreed to the opening of the port, either willingly or unwillingly, they have in the various provisions of the Treaty and related documents a number of strong trump cards which could force other nations to play the game according to Russian terms.

It would seem wise for the United States to do everything possible to assist the Chinese Government in setting up an administration for this area so that the port can be declared open to the trade of all nations. This preliminary move, I venture to suggest, is necessary before trade and commerce in the accepted sense of the terms can begin to flourish in Dairen and Manchuria, and the sooner it is done the less strongly entrenched will the Russians be.

Respectfully yours,

H. MERRELL BENNINGHOFF

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761.93/5-1046

*The Consul General at Dairen (Benninghoff) to the Chargé in China  
(Robertson)*<sup>22</sup>

[No. 5]

DAIREN, May 10, 1946.

SIR: I have the honor to submit herewith, in separate paragraphs on several subjects, the substance of a conversation held on May 9, 1946 at my request with Lieutenant General G. K. Kosloff, Soviet Commander of Dairen.

The two most important developments of the conversation were (a) the General's clear cut statements that Dairen was not yet a free port and that only American merchant ships bringing diplomatic and consular mail and personnel could enter; and (b) the General's lack of understanding of the legal principle whereby the Japanese Army could purchase American enemy property and deposit the proceeds in

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<sup>22</sup> Copy transmitted to the Department by the Embassy in China without covering despatch; received about June 25.



a frozen account in the name of an enemy corporation. The General felt that the Japanese could only regard enemy property as booty and therefore could not pay for it, even into a frozen account.

The Embassy will note that during the discussion of these problems in which the United States is vitally interested, I made no attempt to discuss or argue the interpretation of the Treaty, or the legal principle involved; I merely desired to obtain the General's viewpoint regarding those questions. I endeavored, and I hope succeeded, in expressing my understanding of the General's position without committing my government to an acceptance thereof. Being entirely without instructions in these and other matters, and being without information concerning negotiations (or the lack of them) between our two Governments, and also being unable either to communicate the General's viewpoint to my superiors or to receive instructions in regard to the attitude I should adopt, I felt that I was not in position to take a more positive stand. I trust that under the circumstances the Embassy will approve.

#### *Communications and Courier Service*

After a good deal of discussion regarding his statements at our previous discussion concerning the entry of American ships with couriers, the General made it clear that an American merchant ship coming to Dairen for the sole purpose of bringing a diplomatic courier and official personnel would be permitted to enter provided it followed the same procedure of notification adopted by the *Check Knot*. In reply to a direct question, and after quite a long harangue which the interpreter did not translate completely, the General stated that the port was not open to the unrestricted entry of American vessels. He referred to the reasons therefor as explained at length in our previous conversation (of April 15), but he did not state specifically the steps by which the port would or could be opened.

(The General had previously stated that the port was under Soviet military restrictions under the provisions of the Treaty with China, by virtue of which Soviet military regulations were in force during the existence of war with Japan, a condition which still existed.)

The General did state, however, that the question of the arrival of a ship bringing a courier was quite different from that of opening of the port, and that the latter step was one for the Governments concerned. He was evasive when I asked him which Governments. (I have the feeling that when the port is declared open, it will still be necessary for the United States to negotiate with the Russians regarding the terms under which American ships will be permitted to enter. In other words, although China and the USSR might declare the port open, the *conditions* of trade will still have to be negotiated at the government level.)

*Protection of American Property*

I gave the General the letter (copy enclosed)<sup>23</sup> I had prepared concerning American property in Dairen, so far as I was aware. He said that he would study the matter and get in touch with me later. With reference to the properties of the two oil companies, I tried to explain that after the war started, in February or March 1942, the Japanese had sold the property to the Japanese Army under the provisions of their Enemy Assets Control Law and had deposited the funds derived thereby into frozen accounts in the Yokohama Specie Bank. The General had difficulty in understanding this procedure, as according to him, the Japanese regarded American property as booty and therefore could not pay for such to enemy firms. He was puzzled by the whole affair and promised to look into it. I had some difficulty in persuading him that my letter was for his information only and that I was not attempting to solve the legal problems involved, as that would necessitate the presence of representatives of the firms and probably governmental negotiations. The General said that he would look into the whole matter and get in touch with me at a later date.

*Opening of Mail Service with China*

I told the General that I had heard that the postoffice was accepting mail for various places in China, especially Tientsin, Tsingtao and Shanghai, and asked whether the service would soon be extended to telegraphs. The General expressed some surprise that such mail was being accepted and said he knew nothing about it. He had no information about telegraphic messages. He made a slip, however, in disclaiming knowledge of the new postal service, as he did say that he had heard that this office was trying to send mail through the post-office. (If he had heard that much, he must have known at least about the new service. The postoffices are open and have accepted official and personal mail from this office.)

*Repatriation of Japanese*

I told the General for his information that a number of Japanese had called on me and had expressed a desire for their repatriation to their own country, and that my reply had always been that that was a matter with which I was not concerned and on which I had no information. The General said that the problem was one for the governments concerned to discuss and that he could only proceed according to his instructions. I again said that I was merely attempting to inform him of my attitude to the question, to which he replied that he could not of course control my conversations with my callers.

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<sup>23</sup> Not printed.

*Regulations and Orders of the Commandant*

The General agreed to supply me with copies of the various orders which had been issued by the Soviet Command in Dairen since the beginning of their occupation. They will be in the Russian, Chinese, or Japanese languages.

Respectfully yours,

H. MERRELL BENNINGHOFF

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125.3516/4-2546 : Telegram

*The Acting Secretary of State to the Embassy in China*

WASHINGTON, May 16, 1946—6 p. m.

139. Dept increasingly concerned over apparent unwillingness Soviet authorities to extend telegraph facilities to Dairen (Deptel 97 May 9<sup>24</sup>). Can Emb suggest means of reestablishment contact with Dairen perhaps by courier from Mukden if travel overland now feasible?

ACHESON

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125.3513/5-1846 : Telegram

*The Ambassador in the Soviet Union (Smith) to the Secretary of State*

Moscow, May 18, 1946—9 a. m.

[Received May 18—4:42 a. m.]

1563. Embassy has just received telegram from Benninghoff at Dairen through commercial channels in Russian language (re Embassy's 1339, April 25). Telegram marked number 2 from Dairen, May 10, and Benninghoff requests Embassy to inform Washington that local authorities will permit arrival in Dairen of American freighter 53 exclusively for purpose of delivering diplomatic courier and consular personnel on conditions of observance of formalities undertaken at time in connection with his arrival there. Embassy will attempt to communicate with Benninghoff by plain English language message in response to above.

SMITH

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<sup>24</sup> Not printed.



125.3516/5-2946 : Telegram

*The Counselor of Embassy in China (Smyth) to the  
Secretary of State*NANKING, May 29, 1946—1 p. m.  
[Received May 29—12:08 p. m.]

883. Inability of Embassy to communicate with Benninghoff, Dairen (ReDeptel 188, May 23<sup>25</sup>) has been taken up with Commander Seventh Fleet by General Marshall in following message:

"Embassy has been unable communicate with Consul General Benninghoff, Dairen for more than month through apparent unwillingness Soviet authorities extend communication facilities to him at Dairen. Our Embassy, Moscow has received message from Benninghoff in Russian language in which he requests Washington be informed that local authorities Dairen will permit arrival Dairen of American freighter exclusively for purpose delivering diplomatic courier and consular personnel on conditions observance formalities undertaken in connection with Benninghoff's original arrival. I would appreciate your views as regards arranging necessary facilities to transport from Shanghai to Dairen USIS radio equipment and necessary operating personnel."

Sent Dept 883, repeated Shanghai 369.

SMYTH

125.3516/6-646 : Telegram

*The Consul General at Dairen (Benninghoff) to the  
Secretary of State*<sup>26</sup>DAIREN, June 6, 1946—5 p. m.  
[Received June 8—10:45 a. m.]

1. Short stay of vessel makes preparations [of] lengthy code message impossible especially as no advanced notice received. Soviet authorities insist port closed and under Soviet military command, hence operation radio probably unpermitted unless Moscow approves. City quiet, food problem serious, uncritical. Soviet military control everything. Chinese officials merely puppets.

Soviet military apparently awaiting developments. This office operating unrestricted but sources information slight and Soviet officials uncooperative. One local Russian employee disappeared.

Did Moscow receive 3 messages sent through Soviet Foreign Office?

BENNINGHOFF

<sup>25</sup> Not printed.<sup>26</sup> Repeated by the Department as No. 285, June 12, 8 p. m., to the Embassy in China.

125.3516/6-1746 : Telegram

*The Ambassador in the Soviet Union (Smith) to the Secretary of State*

Moscow, June 17, 1946—7 p. m.  
[Received June 18—9:04 a. m.]

1908. Only two messages from Dairen have been received in Moscow. One came through FonOff, was subject of my telegram 1325, April 25; second, through commercial channels, reported in Embtel 1563, May 18. I spoke to Lozovski<sup>27</sup> on June 9 (ReEmbtel 1850, June 10<sup>28</sup>) in regard communication facilities for Benninghoff at Dairen and I confirmed in letter to him on June 10 our request for arrangements to be made to provide communication facilities for Dairen, at same time requesting him to confirm receipt by Benninghoff of our message transmitted through FonOff on April 25. Lozovski says Moscow communications with Dairen are very sketchy and I am inclined to believe him.

This is in reply to Deptel 1975 [1075], June 12.<sup>29</sup> Dept please repeat to Nanking.<sup>30</sup>

SMITH

125.3516/6-1846 : Telegram

*The Consul General at Shanghai (Davis) to the Secretary of State*

SHANGHAI, June 18, 1946—11 a. m.  
[Received June 18—5:55 a. m.]

1076. Reference Department's 1059, June 13, 6 p. m.<sup>28</sup> Consulate General informed equipment landed Dairen without incident June 6 and technician proceeded with installation. Benninghoff discussed matter with Lt. Gen. Kosloff, who would not take responsibility authorizing use of American transmitting station without consulting higher authority. He indicated he would refer matter to his superiors. Akins, who is here, believes receiving equipment could be used and suggests sending in properly documented operator (Department will recall that operator who accompanied Akins not permitted to land for lack proper documentation).

I recommend that employment of operator be authorized by Department and that arrangements be made to send him to Dairen to enable Dairen to receive messages if this should prove feasible and

<sup>27</sup> Solomon Abramovich Lozovsky, Soviet Deputy Minister for Foreign Affairs.

<sup>28</sup> Not printed.

<sup>29</sup> Not printed; it repeated telegram No. 1, June 6, 5 p. m., from the Consul General at Dairen, *supra*.

<sup>30</sup> Repeated in Department's unnumbered telegram of June 18, noon.

that Department take up question of obtaining agreement of Soviet Government to the use of the transmitter.

It is suggested further that Department approach War Shipping Administration with view to authorizing diversion of a coal ship to Dairen once or twice a month until such time as normal communications are restored.

DAVIS

125.3516/6-2146 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

NANKING, June 21, 1946—3 p. m.

[Received June 21—6:35 a. m.]

1020. Radio transmitting and receiving facilities now established at Dairen and can be placed in operation immediately upon arrival radio operator there. More important obstacle, however, is apparent reluctance of Soviet authorities to grant permission for operation radio station (ReDeptel June 18th, 12 noon,<sup>32</sup> relay from Moscow to Nanking, Department's 285, June 12<sup>33</sup> and previous messages same subject). Benninghoff has now been at Dairen for more than 2 months and Embassy has been unable to communicate with him. Although attitude Soviet authorities appears correct toward Benninghoff and his office, his complete isolation from outside world makes office relatively useless at this critical time.

Embassy considers it of great importance for communications to be established between Consul General in Dairen and his Government. If permission to operate a radio station has not been obtained from Soviet Govt, it is suggested the Dept give consideration to the advisability of immediately requesting authority for a U. S. Navy ship, say a destroyer, to call at Dairen once a week for the purpose of delivering and picking up despatches. It is entirely possible that the suggestion of a Naval destroyer sailing into the harbor at Dairen would be even less palatable to Soviet taste than the operation of a radio station.

SMYTH

125.3516/6-1746 : Telegram

*The Acting Secretary of State to the Ambassador in the Soviet Union (Smith)*

WASHINGTON, June 24, 1946—4 p. m.

1155. Following extracted from Shanghai's tel 1076 June 18 (Deptel 1074 June 12<sup>34</sup> and Urtel 1908 June 17):

<sup>32</sup> See footnote 30, p. 1175.

<sup>33</sup> See footnote 26, p. 1174.

<sup>34</sup> Not printed.



[Here follow first and second substantive paragraphs of telegram No. 1076, June 18, 11 a. m., page 1175.]

Please take up with Fonoff by such means as you deem appropriate our desire to commence operation at earliest possible date of radio transmitter at Dairen. Point out inadequacy of present communications to and from Dairen. Say that with concurrence Chinese Govt similar communication situation in certain other areas of China has been remedied by our establishment of radio transmitters for official use pending resumption of normal telecommunication facilities.

Telegraph results of your representations.

ACHESON

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125.3516/6-2146 : Telegram

*The Acting Secretary of State to the Embassy in China*

WASHINGTON, June 28, 1946—6 p. m.

383. Emb doubtless noted from our 1129 June 24 Shanghai<sup>35</sup> repeated Emb as 346, we have instructed Emb Moscow seek approval Sov Govt for operation radio transmitter Dairen.

Pending reply Emb Moscow Dept withholding action suggestion set forth Urtel 1020 June 21 last para.

ACHESON

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125.3516/7-1346 : Telegram

*The Ambassador in the Soviet Union (Smith) to the Secretary of State*

Moscow, July 13, 1946—7 p. m.

[Received July 13—3:06 p. m.]

2177. Lozovski replied in letter dated July 12 to our request for permission for American Consulate at Dairen to set up and use radio transmitter stating that as AmConsul in Dairen has already been informed, Soviet Military authorities do not consider it possible to give such permission. But temporarily, until establishment of normal telegraphic connections, they are prepared to make it possible for the Consul to transmit his telegrams to AmEmbassy in Moscow through communication facilities of the Soviet Military Command.

Dept please repeat to Tokyo as Moscow 59, Nanking as 88 and Mukden.

SMITH

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<sup>35</sup> Not printed.

125.3516/7-1846 : Telegram

*The Ambassador in the Soviet Union (Smith) to the  
Secretary of State*

Moscow, July 17, 1946.

[Received July 18—6:26 a. m.]

2204. Telegram in Russian language from Dairen via Soviet commercial telegraph facilities was received on July 16 (ReEmbs 1908, June 17 and 2177, July 13). Text in translation follows:

"4. July 8, 1946. Two your telegrams of May 1 and 7 arrived June 6 but replies have been delayed in view of the daily expectation of the arrival of a courier. There have been no other messages from you. Inquire Nanking approximately when next courier will arrive. Request to be informed. Benninghoff"

Of two telegrams referred to in message above, May 1 telegram is probably one which Embassy requested FonOff to send to Benninghoff (Emb 1339, April 25). We cannot identify telegram of May 7 since next telegram despatched by Embassy was on May 17 via (ReEmbs 1563, May 18) Soviet commercial channels.

Dept please repeat to Nanking as Moscow's 90.

SMITH

125.3516/7-1846 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union  
(Smith)*

WASHINGTON, July 19, 1946—7 p. m.

1329. If you have not done so please telegraph substance Urtel 2177 July 13 to Dairen. Inform Dept whether permission utilize Soviet military communication facilities applies transmission coded messages.

For your info if transmission messages through Soviet facilities proves unsatisfactory (repeated Nanking as 483) Dept contemplates asking Navy arrange despatch vessel Dairen three or four times monthly for purpose picking up despatches and delivering instructions.

BYRNES

125.3516/7-1846 : Telegram

*The Ambassador in the Soviet Union (Smith) to the  
Secretary of State*

Moscow, July 24, 1946—noon.

[Received July 24—8:07 a. m.]

2265. I addressed letter on July 23 to Lozovski requesting clarification of his letter of July 12 as to how Embassy might send messages

to Dairen through Soviet military communication facilities. I also stated that I assumed coded messages are acceptable for transmission.

We are attempting to send through regular commercial channels to Dairen text of Lozovski's July 12 letter in Brown Code. We are also acknowledging in *en clair* telegram to Dairen receipt of Dairen's No. 4, July 8, which was sent to Dept in Embtel 2204, July 17.

What codes does Benninghoff have?

Dept please repeat to Nanking as Moscow's 93.

SMITH

125.351/8-246

*The Consul General at Dairen (Benninghoff) to the Ambassador in China (Stuart)*<sup>36</sup>

No. 21

DAIREN, August 2, 1946.

SIR: I have the honor to submit some comments and observations on the attitude of Soviet and Chinese officials with respect to this Consulate General. Much of the material contained herein has already been reported in various despatches; references thereto appear at the end of this despatch.<sup>37</sup>

It will be recalled that after Mr. Sturgeon and party were in Dairen in March 1946 they reported that they had been well received by the Soviet Commandant and other officials, and had been promised assistance and cooperation in setting up an American consular office in Dairen. They were apparently cordially entertained, and were given the impression that when a permanent American staff arrived in Dairen everything possible would be done to facilitate the establishment of the office.

It has since transpired, however, that Mr. Sturgeon and party were obviously carefully escorted on a prearranged schedule, as the Consul of Denmark and another Dane, both of whom knew Mr. Sturgeon several years ago, were unable to arrange to see him despite the fact that his party was in Dairen about a week. The only former acquaintance who saw Mr. Sturgeon was an emigrant Russian now acting as English interpreter for the Commandant, and possessing Soviet nationality. He has intimated in oblique terms that Mr. Sturgeon was sheltered from "foreigners".

As this office has reported, the first contact of the second American party with the Russians was marked by "correctness" and a certain amount of superficial assistance. No objection was made to opening

<sup>36</sup> Copy transmitted to the Department without covering despatch; received about October 16.

<sup>37</sup> List of references not printed.



the office or to taking up residence in the Bryner house, and coal and telephones were supplied. When the first shipment of coal was used up, however, the prevailing shortage was given as an excuse for the statement that no more was to be had at the official or any other price. Actually, coal at about \$20 per ton is readily obtainable in the open market. Similarly, telephone service is bad, repairs are poorly done if at all, and the lines are obviously tapped.

The Russians have been completely non-cooperative in the matter of protecting American property. It has been impossible to inspect the two oil properties despite repeated oral and written requests, while replies to requests to visit the residence of Mr. Morgan, the only other American real property in Dairen, have been obstructionist. In the latter case, documents proving Mr. Morgan's ownership have been demanded; meanwhile the house is occupied by Soviet officers and is understood to be in bad condition. The documents proving Mr. Morgan's ownership are available to the Consulate General, but as he has no authorized agent here, this office is reluctant to pursue the matter in view of the probability that once the property is inspected the Russians will maintain that it has been "accepted" in its present condition, and will not entertain any claim which Mr. Morgan might make in the future. There is evidence that the first Russian troops to enter the city looted the district in which the house stands, but as Chinese looters also invaded the area, proof of Russian implication will be difficult or impossible to obtain.

The Consulate General has consistently tried to establish personal relations with the Commandant and staff. They were invited to attend the Memorial Day service, but did not even acknowledge the invitation. Similarly, they were also invited to the Fourth of July reception at my residence; the chief-of-staff, a colonel, was the only Soviet military officer to appear. The first Commandant, Lieut. (now Col.) General Kosloff, definitely avoided accepting social invitations, on the grounds of ill health (probably true), while the present Commandant, Major General Kozhanoff, has not seen fit to set a date for a courtesy call despite three requests made through the chief-of-staff and the interpreter mentioned above. There the matter now stands, and will probably not change until some incident arises which will make it necessary for the Consulate General to approach the "Commandantur".

An interesting example of the attitude of the Soviet military occurred on the occasion of the birthday of the King of Sweden, when the Swedish Vice Consul held a garden party. The Soviet Vice Consul attended, and while talking to his host he pointed out a Soviet general commanding the local garrison who was passing by in the street, and who was a neighbor of the Swede. The Swedish

Vice Consul, with his Soviet colleague, went out and invited the general to attend the party. The general refused because of "urgent business". He had just spent two hours witnessing an athletic contest.

Relations with the Soviet Consulate are more cordial personally, but just as unproductive of results. Until June 11, when the Soviet Consul and Vice Consul returned from an extended trip to North China and Nanking, the office was in charge of a minor "Secretary" who was obviously without any authority or standing with the military. The Consul and Vice Consul have proved to be cordial and friendly, but of very little actual assistance. They have returned official calls and have twice visited my residence, on invitation, but have made no attempt to reciprocate. Conversation is limited to very general subjects, and when questioned regarding such matters as the opening of the port, the repatriation of the Japanese, or the make-up of the local Chinese administration, they profess complete ignorance.

With the change in Commandants early in July, the impression has been gained that whenever problems arise this office will be expected to approach the Russians through the Soviet Consulate; this perhaps explains the new Commandant's failure to set a date for an official call. Just how helpful the Soviet Consulate will be remains to be seen, but as it is anticipated that the problems will chiefly revolve around protection and possible claims, the outlook is not promising.

Relations with Chinese officials of the local administration have progressed along somewhat similar lines. At first the Mayor, Deputy Mayor and other officials were cordial and inclined to be helpful. They readily issued license plates for the Consulate General's motor vehicles, endorsed certificates of identity for the office's Chinese employees, and promised assistance and information. Subsequently, when information concerning labor conditions in Dairen, the political structure of the administration, and various statistical data were requested, the replies were vague and no information has been forthcoming. Moreover, on one occasion the Mayor's secretary intimated to the Consulate General's interpreter that as the present administration was purely a local one and not in contact with the Central Chinese Government, it would be better to keep relations on a friendly but not too close basis. The endorsement of the certificate of identity of a new Chinese employee is currently being held up pending "investigation" and other obvious excuses. It is interesting to note that the Mayor himself has always accepted invitations to functions, and apparently desires to keep in the good graces of the Americans, probably as "insurance" in case Central Government officials ever take over in this area.

This change in the attitude of the Chinese officials—and the change is more noticeable than in the case of the Russians because of early evident Chinese cordiality—can probably be ascribed to two related factors. In the first place, it is almost a certainty that the requests for information were first referred to the Russians, who advised (or more likely directed) that the information be withheld. In the second place, the position of the Chinese Communists and Eighth Route Army, both in the municipal organization and in the city as a whole through the Labor Association, has apparently become stronger. Such Chinese are known to be anti-American, chiefly as a result of alleged American military assistance to the Central Government. They are in a position to make life difficult for Chinese who do not follow the party line or who appear to be pro-Kuomintang, and hence can intimidate those who might otherwise be disposed to be friendly to this office. Under such circumstances, it is not surprising that the city government chooses to be distant. This attitude was so pronounced that the office's Chinese interpreter was reluctant to request material for the Consular Sanitary Report despite the fact that information has been received that such material is being compiled by the city government. It is also significant that in the sixteen weeks since our arrival no Chinese of importance has called at the Consulate General.

In order to complete the picture, a description of relations with the approximately 1500 former emigrant Russians seems necessary. It is well known that during the years of Japanese administration these people were anti-Soviet, and there is no reason to suppose that, in general, they have altered their basic convictions. However, they have been forced to take out Soviet nationality; those who have refused have disappeared, including an employee of this Consulate General. The result has been that, probably through intimidation, the Russians who would normally be friendly to Americans are afraid to be seen in American company. For instance, this office received a letter from an American citizen in California seeking information regarding his father, a long-time resident of Dairen. The father was requested through a mutual friend to call, but he sent word that as a Soviet citizen he could not be seen entering the office. Eventually he called on legitimate Soviet business in connection with the shipping trust, of which he is an employee.

In view of the circumstances outlined above, this Consulate General has so far been unable to achieve more than the most formal relations with Soviet and Chinese officials, and with local residents other than the single American citizen and a handful of Danes, Czechs and Greeks. This condition is accentuated by the fact that there is no business to transact. There are no American ships, no telegraphic



communications, no American business men and no mutual problems. The protection of American property is the sole question at issue, and that cannot be discussed further until each side has received detailed instructions on how to proceed.

Respectfully yours,

H. MERRELL BENNINGHOFF

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893.00/5-1046 : Airgram

*The Acting Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, August 30, 1946.

A-157. Reference is made to Dairen's despatch no. 4, May 10, 1946, to the Embassy entitled "Survey of Political Situation in Dairen", a copy of which has been received in the Department.

As the Department attaches much importance to significant developments bearing on the future status of Dairen, it would welcome any information which the Embassy may be in a position to report on the following points:

(1) What is the present attitude of the Chinese Government with regard to the resumption of Chinese administrative control of Dairen and re-opening of Dairen to navigation and trade?

(2) Has the Chinese Government held any negotiations with the Soviet Government in recent months with respect to the status of Dairen under the terms of the Sino-Soviet treaty of August 1945 or otherwise? If so, what was the nature of the negotiations?

Any information which the Embassy may be able to gather discreetly on the foregoing and related developments should be telegraphed to the Department and relayed to the Embassy at Moscow for its information.

ACHESON

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125.3516/9-646

*The Consul General at Dairen (Benninghoff) to the Ambassador in China (Stuart)*<sup>38</sup>

No. 31

DAIREN, September 6, 1946.

SIR: I have the honor to submit the following information concerning the situation of this office regarding communications.

On July 9 the Soviet Consul, Mr. Petroff, called at his request and referred to the attempt of this Consulate General to install a radio

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<sup>38</sup> Copy transmitted to the Department without covering despatch; received about October 16.

transmitter, as reported to the Embassy in despatch No. 9 dated June 10, 1946.<sup>39</sup> He stated that the Russian military authorities had received information to the effect that the transmitter was in operation secretly. This was, of course, entirely false, and I so informed Mr. Petroff. It was even suggested to Mr. Petroff that the military might wish to send an expert to examine the apparatus to ascertain its true condition. Mr. Petroff appeared satisfied, and nothing further transpired on this subject.

Mr. Petroff continued by stating that the Soviet military were prepared to transmit code and plain language messages to the Embassy in Moscow. This was a departure from information previously given this office which was to the effect that only messages in plain Russian could be sent. Accordingly, a message to the Embassy at Moscow was drafted in plain English, as this office has no code with which to communicate with any establishment other than the Department. The following day the Soviet Consulate stated that Russian radio operators were unable to transmit in English Morse, and that messages would have to be in the Russian alphabet or in numeral cipher. Despite the Russian statement that in principle code messages would be accepted, in actual practice this Consulate General was accordingly no better off than before.

Seven messages have been sent to Moscow; on April 16, May 10, May 20, July 8, August 6, August 9, and September 1. The Embassy may wish to check with the Embassy at Moscow regarding the receipt of these messages. Only two replies have been received, the first on June 6 and the second on August 31. This last message is apparently in the Brown code, so it cannot be deciphered unless the courier who is expected shortly brings cryptographic material. The receipt of this last message may indicate that the Russians are now willing for this office to send and receive messages in code. If the anticipated courier brings the Brown code, a further attempt will be made to communicate with the Embassy at Moscow.

In connection with the above, about two weeks ago the Nanking radio was heard to state, in Chinese, that the American Government had filed some sort of protest with the Soviet Government regarding the Communications situation of this office.

Respectfully yours,

H. MERRELL BENNINGHOFF

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<sup>39</sup> Not printed.

S93.00/10-946 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 9, 1946—2 p. m.

[Received 4:45 p. m.]

1619. Following received from Dairen by courier October 8:

"Part 1. Communications remain our most serious problem, with no courier between June 11 and October 2 and telecommunications practically non-existent. However, Soviet Consul recently accepted code message for Moscow and one was received from there, possibly indicating a changed attitude.

Part 2. Protection U. S. property unchanged. Inspection not permitted but U. S. ownership acknowledged. Bank deposits frozen, and otherwise *status quo* being maintained until arrival owners or agents.

Part 3. Soviet position here remains basically unchanged since despatch to Nanking No. 4 of May 10 and Mytels 1 and 2, June 6, 7.<sup>40</sup> Port still unopened with excuse Japanese war still exists but real reason probably desire to gain control all resources of Manchuria after political situation clears up. Once pre-eminence established and monopolistic controls obtained, other countries may be permitted participate on Soviet terms. Meantime shipments on reduced scale continue to Vladivostok and at least two ships went to Black Sea ports in spring. Small scale coastal junk traffic permitted for importation food, but Dairen as port for Manchuria is dead. Food, fuel problems acute. Early reopening railway and arrival Nanking officials deemed essential for opening of port. Otherwise American business will be unable compete if Soviet domination allowed to obtain firm foothold. In this connection, Soviet colonization proceeding apace. Several thousand civilians, mostly demobilized troops with families, now here and elsewhere in area. This program will probably spread to Manchuria when feasible. Obvious purpose complete domination economic, political life Manchuria. Soviets continue abstain from direct political action, but have permitted creation Chinese labor association which is actually single party on communistic lines. Chinese Communist and Eighth Route Army influence increasing although people mostly pro-Kmt.<sup>41</sup> Soviet attitude toward this office "correct" but largely uncooperative. Little contact except on formal basis, and Soviet officials and citizens obviously instructed to avoid Americans. Soviet Consul more friendly but states knows nothing regarding high policy.

Part 4. Local administration left largely to Chinese with Russians in background dictating policy. Area divided into four districts: Viz., Dairen city and counties of Dairen, Port Arthur, and Chinchow. Eventual free port area probably limited to city itself rather than to whole territory as under Japanese. City government and police reportedly increasing efficiency by Communist and Eighth Route Army control and influence likewise increasing. Uniforms of latter

<sup>40</sup> Telegram No. 2, June 7, from the Consul General at Dairen, not printed.

<sup>41</sup> Kuomintang.



recently seen in streets and posters on V-J Day for first time omitted picture Chiang Kai-shek. Chinese officials were at first cordial to this office but cooled off recently, probably because of Russian instructions and pressure from Communists. Japanese collaborators treated mildly although people given chance to denounce employees Japanese police.

Part 5. Economic and trade conditions remain static with no improvement in transportation or communications. Shipping limited to few Soviet vessels and local junks. Planned reopening rail service part way to Mukden delayed by cholera quarantine. Prices continue to rise and goods being rapidly exhausted. Growing unemployment and food shortages have increased and labor unrest exists. Taxes high and merchants abandoning enterprise. Soviet occupation currency weak with U. S. dollars at high rates and Manchukuo and Chosen currency at premium. Withdrawal of occupation currency and substitution of Chinese Communist money rumored. Press announced under Harbin date line August 20 that Soviets have issued 10 billion occupation *kuopi* in Manchuria.

Part 6. Removal of capital goods an open secret in Dairen but details difficult to obtain without jeopardizing lives of informants. Would appreciate instructions and details of type of information desired.

Part 7. Japanese still without news of repatriation, although rumors state that recent agreement at Harbin with Communists includes Japanese here. Their condition here deteriorating rapidly as funds are depleted and unemployment increases. Food and fuel are becoming more scarce and expensive. Continued presence here of one third city's population resented by Chinese. Soviets state they have no instructions. Benninghoff"

STUART

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693.00231/10-1646 : Telegram

*General Marshall to the Under Secretary of State (Acheson)*

[NANKING,] October 16, 1946.

1653. Commander Seventh Fleet desires authorization to send a United States Government courier ship to the open Port of Dairen periodically at intervals of from 2 weeks to 1 month. This to be a United States Government vessel of less than 1,200 tons. If necessary to make notification via Moscow propose to notify Moscow 4 days prior arrival and Soviet Embassy Nanking and Soviet Consul General Shanghai 2 days in advance of arrival. However if direct communication to Dairen is possible propose to notify only Dairen 2 days prior arrival. This notification to give the name and type of vessel and the estimated date of arrival and would be merely notification and not a request for authorization to make the visit.

2. Soviet authorities in Dairen do not allow any direct radio communications from the United States representatives in that port, nor

coded messages via Moscow. In last 6 months only 2 messages have been received although 9 were filed via Moscow in plain language. In order that necessary communications may be maintained with the United States Consul General and other United States representatives in Dairen I believe that a courier vessel as recommended by Commander Seventh Fleet is the only practical means of insuring contact. Considerable important information is available in that locality and some means must be found to get it out. The use of a courier vessel will enable our representatives in that area to make classified report which they are unable to do at present and also would enhance United States prestige.

3. For your information only, Admiral Cooke proposes to use amphibious vessels probably of the LCI type for these trips when available, but does not desire to have the type of vessel specified to permit freedom in using other ships of less than 1,200 tons.

4. I recommend that such periodic courier trips be approved and the Soviet Government be notified to expect visits from such vessels commencing with the first trip in early November.

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125.3516/10-1746 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 17, 1946—3 p. m.

[Received October 18—1:30 a. m.]

1684. Personal message from Benninghoff September 4 expresses strong dissatisfaction with situation Dairen where he has remained since April 7. He states: "Present situation is only little better than internment of 1942.<sup>42</sup> We have radio and get around town a bit but aside from that we are as cut off from rest of world as we were in Tokyo 4 years ago. Aside from the above we are doing all right. There is plenty of food, both that which we brought and that which is available here." At time of writing he had received only one message through Soviet channels and had received only one incoming mail in 5 months (second being that mentioned Shanghai's 1849, September 27,<sup>43</sup> nearly 6 months after his arrival Dairen).

Department will recall (Embassy's telegram 1020, June 21) Embassy recommended Department give consideration advisability requesting Navy send ship periodically to Dairen. Even though Embassy considers that present communications situation renders Dairen practically useless and that Benninghoff's isolation should not be allowed to continue, it does not consider that solution to situation lies

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<sup>42</sup> Mr. Benninghoff was Second Secretary of Embassy in Japan in 1941.

<sup>43</sup> Not printed.

in withdrawing Consulate. Situation has been discussed with General Marshall and Admiral Cooke, during the latter's recent visit to Nanking, and both are in agreement that efforts should be made to provide regular courier facilities for Benninghoff. Admiral Cooke has indicated his willingness to provide vessel and the details of his proposal have been communicated to the Department in 1653 to Colonel Carter.<sup>44</sup>

Embassy strongly recommends that Department again take up with Soviet Government the question of permitting Benninghoff the use of radio communicating facilities which have already been established for him at Dairen in addition to pressing for regular courier service by United States naval vessels.

Sent Department 1684; Shanghai as 652.

STUART

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693.00231/10-1646 : Telegram

*The Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, October 18, 1946—7 p. m.

896. For General Marshall. We fully concur in desirability of sending regular courier ship to Dairen and agree that prior notification is necessary. If approach is made in Moscow along lines suggested paragraph 4, your 1653, it is possible, of course, that Russians may impose onerous entry procedure or refuse altogether. We are prepared to face this contingency and if necessary raise with the Russians the whole issue of opening Dairen. They are committed to the establishment of a free port under Chinese administration at Dairen. They have failed to carry out that commitment, giving as their reason, we understand, that a state of war still exists with Japan. It is not unlikely that raising and possibly airing this issue, irrespective of whether we obtain immediately favorable result, may have a salutary effect on the over-all situation in the Far East.

On the other hand, if it is desirable that we achieve the immediate objective of having courier ships call regularly at Dairen, it might be preferable to avoid the risk of a turn down from Moscow and continue with the same *ad hoc* procedure of notification which we assume has been followed in the case of the last two ships which proceeded to Dairen.

Your comments will be appreciated.

BYRNES

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<sup>44</sup> Col. Marshall S. Carter, General Marshall's representative in Washington.



693.00231/10-2146 : Telegram

*The Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, October 21, 1946—7 p. m.

908. For General Marshall. Navy Dept has pointed out that Adm Cooke's proposal described your 1653 represents departure from previous procedure in that he contemplates use of Navy ships rather than unarmed merchant vessels as in past. We and Navy agree this would probably result in refusal of entry and would be undesirable because Dairen theoretically is commercial port and we have refused Soviet naval vessels entry to American commercial ports. Your comments on this phase of question would also be appreciated.

BYRNES

125.3516/10-2846 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union (Smith)*

WASHINGTON, October 28, 1946—6 p. m.

1901. Present telegraphic service with Dairen via Moscow being unsatisfactory Dept desires Soviet cooperation in routing plain and cipher messages via Consulate Vladivostok, transmission between Vladivostok and Dairen to be over Russian facilities. You are accordingly instructed approach FonOff requesting it make necessary arrangements with Soviet authorities Vladivostok and Dairen.

BYRNES

125.3516/10-2946 : Telegram

*The Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, October 29, 1946—6 p. m.

950. Since Dairen possesses appropriate receiving equipment for short wave transmission, Department feels telegrams can be broadcast Dairen from Shanghai or other location, communications officer Shanghai deems feasible, on prearranged schedule basis. Although this method only provides means sending telegrams to Dairen, Dept feels it worthwhile particularly in notifying Dairen of courier and ship arrivals. Please take up with communications officer and advise views. Sent Nanking, repeated Shanghai.

BYRNES

125.3516/11-146 : Telegram

*The Chargé in the Soviet Union (Durbrow) to the Secretary of State*

Moscow, November 1, 1946—4 p. m.

[Received November 1—3:41 p. m.]

4037. Dekanozov<sup>45</sup> informed by letter dated November first of unsatisfactory telegraphic service between Embassy and Dairen and requested to make necessary arrangements for sending such messages via Vladivostok. (Deptel 1901, October 28.)

DURBROW

893.00/11-1446

*The Consul General at Dairen (Benninghoff) to the Ambassador in China (Stuart)*<sup>46</sup>

No. 46

DAIREN, November 14, 1946.

Subject: Sino-Soviet Relations in the Dairen Area and Vicinity.

SIR: I have the honor to refer to the Consulate General's telegrams to the Department Nos. 14, 17 and 18 of October 31, November 6 and November 12, 1946,<sup>47</sup> respectively, concerning the subject of the approach of Chinese Government troops toward this area, the attitude of the Russians, the movement of Chinese Communist forces, and allied subjects.

(NOTE: If these telegrams reached the Department, they should have been repeated to the Embassy. True copies are enclosed, however, for use if the telegraphic facilities of the USSR failed to get the messages through.)

In sending these telegrams, the Consulate General desired to transmit information gained in Dairen, from the scanty sources at its disposal, concerning Chinese and American radio reports to the effect that conversations regarding the early entry of Central Government officials into Dairen were being held, and that Chinese Communist forces "from the Dairen area" were being sent south across the Yellow Sea to Chefoo and elsewhere in Shantung to reinforce Communist troops there.

To take the last point first; as of this date, there is no evidence which the Consulate General has been able to unearth which would lead to a belief that the Soviet military are permitting the Chinese Communists to use Dairen or "The Port Arthur Naval Base Area"

<sup>45</sup> Vladimir Georgiyevich Dekanozov, Soviet Deputy Minister for Foreign Affairs.

<sup>46</sup> Copy transmitted to the Department without covering despatch; received January 8, 1947.

<sup>47</sup> None printed.

for the embarkation of Chinese Communist forces for Shantung. Chinese merchants are constantly traveling back and forth between Dairen and Communist held areas, and not once has even a rumor to that effect been received. It should be pointed out that most if not all the merchants of this type are by nature anti-Communist and anti-Soviet, and they would be only too glad to pass on information to the detriment of either. The Consulate General feels that, as of today, the Russians have not permitted the Chinese Communists to use this Area for any military purpose. If any such activity is taking place, it must be on a very reduced scale, for any large movement of troops could hardly pass unnoticed in a region where the population would on the whole be hostile to such a movement.

When questioned on the subject, the Soviet Acting Consul General, Mr. Petroff, appeared to resent the suggestion that the *bona fides* of this Government were being impugned, for he said that any use of the Area by Communist troops would be contrary to the Sino-Soviet Treaty. He did not specify the clause of the Treaty which would be violated, but he probably had reference to the agreement that this Area was to be ~~jointly~~ solely\* defended by Soviet and Central Government troops.

With reference to a broadcast from Nanking in which a Chinese Government spokesman was quoted as stating that conversations looking toward the early entry of Chinese Government officials into Dairen were being held, neither the Soviet Consulate General nor the Soviet military command would profess to any knowledge of the subject. Needless to say, most unthinking Chinese took this broadcast to mean that Nanking officials could be expected any day. More serious observers, however, hold the opinion that although the entry of Nanking officials cannot be long delayed, an interval of two or three months may elapse before negotiations can result in a satisfactory agreement on details between the Chinese and Soviet Governments.

It is reasonable to suppose that the Chinese Government has approached the Russians concerning the entry of their officials into Dairen. Such an approach would almost inevitably have to be in Moscow, and therefore the ignorance of local Soviet officials on the subject is not surprising. The Russian reaction to such an approach at the present time, even though Nationalist troops are on or at least near the "border" of the Area, would probably be one of delay and obstruction. The political future of the North East is not yet clear; the railroad is not in operation and no agreement concerning it, as provided for in the Treaty, has been negotiated; the status of Soviet

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\*Correction per directions contained in Dairen's despatch No. 40, Dec. 18, 1946. [Footnote in copy as received from the Embassy in China.]



commercial and trading trusts has not been agreed upon; the Russians probably desire to retain as much as possible of the present pro-Communist regime in this Area; no decision has been made in regard to the difficult problem of foreign exchange. These and similar problems, it is felt, will be dealt with in any Sino-Soviet negotiations looking toward the entry of Central Government officials into this Area.

In studying these questions, the Embassy should also bear in mind the fact that the arrival of Nanking officials and the opening of the port to international trade are synonymous in the minds of most Chinese, and probably in the minds of the Russians as well. The Consulate General feels that the Russians are no more prepared to open the port now than they were five months ago (see despatch No. 16 dated June 20, 1946<sup>48</sup> entitled "The Soviet Position in Dairen"), as the presence of Nationalist troops to the north of Dairen has not materially altered the general picture *as viewed from the Soviet angle*. The national interests which the Russians probably consider as vital in this region would be jeopardized by the installation of a non-Communist local government which might attempt to open the port, establish foreign exchange banks, and otherwise endanger the monopoly now held and permanently desired by the Soviet Union. If the Chinese Government is willing to make concessions to safeguard these national interests, including the retention in the area of a Chinese regime with a strong Communist flavor, the Russians might be disposed to abide by their obligations under the Treaty.

Another factor which must not be lost sight of is that the Chinese Communists have not yet been eliminated from the North East, or from Shantung, which is economically and politically tied to the North East. It would therefore appear reasonable for the Russians to play for time in the hope that out of the current politico-military turmoil there will emerge a compromise which will place in power in Changchun Chinese elements favorable to the U. S. S. R. Such a development would make easier for the Russians the solution of the problems mentioned above, and the safeguarding of their national interests.

If this analysis is valid, the observer would normally expect to see cordial relations established between Soviet and Communist troops along the "border" of this Area, and the offer of military assistance of various kinds by the Russians. But such has not been the case in the seven months which have elapsed from the opening of this office. As far as can be learned from inquiries made of Japanese, Chinese and even Russians who crossed from one area into the other, there is almost no interchange of any kind between the two forces.

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<sup>48</sup> Not printed.

The Russians in Manchuria appeared just as determined to isolate their troops from "foreign" influences as were their comrades in Germany when they met American and British forces along the Elbe. Nor were reports received of any assistance in military supplies or equipment, although rumors were current that the Russians turned over to the Chinese Communists some captured Japanese equipment. Foreign Service Officers in Mukden or elsewhere may have more accurate estimates of the amount of assistance given the Communists by the Russians.

In the commercial field as well, there does not appear to have been any great cooperation between the two. Although the Chinese Communists for a number of months were in control of large agricultural areas in Manchuria, there is nothing to indicate that they cooperated to any great extent in furnishing supplies to the Russians. It is true that a large quantity of beans and grains was sent to Vladivostok and elsewhere in Soviet bottoms, but all evidence available indicates that this was collected by the Russians themselves during their occupation of a large part of Manchuria. This Consulate General recently learned on very reliable authority that the manager of the local branch of the Soviet grain trust sent agents into Communist territory with a view to purchasing beans, wheat and other cereals. The Communist officials in charge said that all crops had been "Nationalized" and were for the use of the people and were not for sale. This example, the Consulate General was informed, is illustrative of the type of commercial "cooperation" between the Russians and the Chinese Communists.

In the political field, however, the situation is quite different; there is close cooperation. This Consulate General has little information concerning the manner in which Russian political agents operate, but it is believed that they are completely independent of the Red Army or any other normal agency of the U. S. S. R. They are doubtless in close liaison with the Chinese Communist Party. In any event, the Russians have permitted to develop (or, some say, brought about) a situation in Dairen wherein the Communist Party is the only one with a legal existence; the only newspaper quotes only Yen-an for its foreign news, and most of the officials other than local figureheads are avowed Communists from places other than Dairen. There has been built up in this Area a Chinese administration which is sympathetic to the Russians, and over which they exercise a controlling voice. It is difficult to believe that they would discard such a regime for one from Nanking, without a substantial *quid pro quo*.

This office, accordingly, does not believe that the Russians have assisted the Chinese Communists in sending troops to Shantung, or have given them any other substantial military assistance. Furthermore—and this is admittedly speculation—there would appear to be

no reason for the Russians to permit the early entry of Nanking officials into Dairen unless in the negotiations leading to that event they are able to protect and advance their own interests not only in this Area but also in the whole North East.

Respectfully yours,

H. MERRELL BENNINGHOFF

125.3516/11-2346 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, November 23, 1946—1 p. m.  
[Received November 23—12:44 p. m.]

1944. Chinese radio operator arrived and landed safely at Dairen via courier ship 21st. All Dept cables for Dairen should be sent via US Army to Shanghai for relay via USIS network. Operator will maintain blind Morse watch twice daily for broadcast from Shanghai.

Repeated Shanghai as 759.

STUART

125.3516/11-146 : Telegram

*The Acting Secretary of State to the Ambassador in the Soviet Union (Smith)*

WASHINGTON, DECEMBER 5, 1946—7 p.m.

2087. Arrival Dairen USIS Morse operator Nov 21 makes possible routing Deptels Dairen via Shanghai. However this operator to receive only and unsatisfactory state Dairen's outgoing traffic continues. Press Wireless maintains direct US-Khabarovsk circuit and connections between Dept and Vladivostok ConGen via this circuit good. Dept accordingly still desirous obviate delays involved roundabout service via Moscow by arranging with Soviet authorities Dairen Vladivostok acceptance Dairen telegrams addressed Vladivostok ConGen for forwarding Dept over Khabarovsk-US circuit. Accordingly request (Deptel 1901 Oct 28 Urtel 4037 Nov 1) renewed representations.

ACHESON

121.67/12-2346 : Telegram

*The Consul General at Shanghai (Davis) to the Secretary of State*

SHANGHAI, December 23, 1946—noon.  
[Received December 23—9:43 a.m.]

2538. Following message received from Spiker<sup>49</sup> at Tsingtao:

86. December 22, 9 a. m. Diplomatic courier Ball returned from Dairen yesterday evening with memo from Consul General Benning-

<sup>49</sup> Clarence J. Spiker, Consul General at Tsingtao.



hoff reporting that Jesse Poole, Standard Vacuum oil representative, was not permitted to land in Dairen with courier although cleared by the American Consulate General, Shanghai, which has been handling courier arrangements. Permits to land also refused William Newton, Scripps-Howard representative, and Mark Kaufman, photographer for *Life*, who were taken to Dairen by Navy without clearance and in disregard of advice of this office. Their presence on board probably seriously weakened Benninghoff's position here [*and?*] Poole's landing for residence and business. Courier Ball states Russian passport authorities at first appeared to give Poole's documents favorable consideration but later bracketed him with press correspondents. Benninghoff made repeated efforts to see Russian commandant, calling at his headquarters and home in effort to secure permission for Poole and press representatives to land but failed after being subjected to evasive and discourteous treatment by Soviet authorities. After 48-hour stay in port, 2 hours extension of stay of vessel and unarmed LCI was grudgingly given by a Major on dock who 20 minutes before expiry of extension gave verbal ultimatum that unless vessel sailed in time limit the Soviet authorities would not be responsible for the consequences. Vessel cast off lines few minutes before expiry of time set.

Vessel had sailed from Tsingtao at daylight December 17. On previous day Capt. Persons of Admiral Cooke's staff telephoned to request me to supply letters of identification to press correspondents and photographer for use in landing at Dairen. I replied this office not in a position to take action without approval of Embassy; that agreement by the Navy to carry press representatives without prior notice to Soviet authorities was surprising; that establishment of courier service had been difficult matter and that attempts land press men might be expected imperil such arrangement. (At recent press conference in Shanghai Adm. Cooke had agreed take one representative selected by press correspondent Poole [*sic*] at Shanghai, also one press photographer to Dairen. I observed that such arrangement obviously should be cleared by Embassy [*and*] would probably have to await approval from Moscow. At time of this conversation Admiral Cooke was en route by air from Nanking to Tsingtao and it was thought that possibly during visit he had received approval of arrangement through Embassy.[]) Captain Persons suggested that Navy on its own responsibility take correspondents to Dairen on chance that entry might be permitted. I replied this most unlikely and calculated to anger Soviet authorities whose antipathy to foreign press representatives in Soviet controlled areas is well known. I reiterated that Navy transportation of press representatives without prior approval by Soviets would be calculated to disturb existing relations between Consul General Benninghoff and Dairen authorities and to imperil courier service arrangements. Captain Persons stated he would report my view to Admiral upon his return to Tsingtao. Unfortunately Admiral disregarded such advices and above described situation developed.

Newton of Scripps-Howard preparing send telegram to Shanghai press representatives stressing ultimatum to American Naval vessel and refusal Soviet authorities to permit American nationals enter Dairen. Kaufman took photographs from ship without objection

from Soviet on dock. Later they objected and Kaufman took further photos from dock as vessel was leaving. I consider release of subj [such] photos for publication in *Life* will have further unfortunate effect on Benninghoff's position and that steps should be taken to prevent this. Despatch follows.<sup>50</sup> [Spiker.]

This message transmitted in plain by courier to Shanghai and Nanking, copied by Shanghai to Dept in code. (No. 91 to Embassy, 86 to Dept, 72 to Shanghai.)

Sent Dept as 2538, December 23, noon, repeated Embassy 1467.

DAVIS

125.3516/12-2446 : Telegram

*The Secretary of State to the Ambassador in the Soviet Union  
(Smith)*

WASHINGTON, December 24, 1946—2 p. m.

2175. Concluded arrangement with Soviet authorities whereby telegrams in code or clear from Dairen to Dept may be filed via Soviet military facilities to Vladivostok. Henceforth American Consul Dairen will address all telegrams for the Dept to American Consul General Vladivostok who in turn will send these telegrams to Dept via existing commercial facilities Vladivostok to be routed via direct Press Wireless Khabarovsk-US circuit. Believed this routing improvement over present route via Moscow which entails average 10 days delay with considerable garbling. Dept will continue sending Dairen traffic via Shanghai broadcast Morse facilities. Suggest Dairen initiate test message immediately.

BYRNES

761.93/12-2846 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, December 28, 1946—9 a. m.

[Received 1 : 16 p. m.]

2185. Foreign Office requested representatives of Embassy to call on December 27 ostensibly for purpose of obtaining facts regarding recent refusal of Soviet authorities to permit landing at Dairen from courier vessel of two American correspondents and one American business man. (Reference Shanghai telegram 2538, December 23, 12 a. m., repeating Tsingtao's 86 to Department.) In reality purpose of interview was to emphasize Chinese attitude in matter of continued Russian

<sup>50</sup> See telegram No. 2192, December 28, 5 p. m., from the Ambassador in China, p. 1197.

occupation and control of Dairen and informally to take exception to Dept's statement that Soviet authorities were acting within their rights in making this refusal and, by implication, to propriety of the issuance of such a statement.

Foreign Office pointed out that Russian authorities had never officially taken attitude with China that Russia had right to occupy and administer Dairen because peace had not been formally concluded between Russia and Japan. Foreign Office vouchsafed that technical case would be made out by Russians on this score but in their opinion it lacked substance and reality by reason of fact that Japan unconditionally surrendered, its territory is effectively occupied by allied forces and it has no means of reopening hostilities such as would have been case if cessation of hostilities had been by armistice. Foreign Office considers unconditional surrender as a new concept and thus supersedes for these purposes the formal conclusion of a peace treaty. It does not regard Soviet authorities as acting within their rights in refusing permission for Chinese occupation of city.

Obviously it was the possible strengthening of Russian position that Chinese Foreign Office found distasteful in statement. Foreign Office also emphasized that Sino-Soviet treaty is by no means clear on point of extent of Russian rights and obligations for protection Liaotung Peninsula in event of hostilities with Japan and that being so, in any question of interpretation, the benefit of doubt should accrue to China as obligated party. Furthermore, Russian Ambassador had but recently communicated to head of Changchun railway that his Government was prepared to carry out treaty provisions between Russia and Japan. Apparently negotiations between Chinese and Russian military commanders has thus far proved unprofitable (reference Embtel 2050, December 6, 5 p. m.) <sup>51</sup>

Sent Dept 2185, December 28, 9 a. m., Shanghai as 870; Shanghai please relay to Dairen.

STUART

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125.3516/12-2846 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, December 28, 1946—5 p. m.  
[Received December 28—7:07 a. m.]

2192. Courier from Dairen has delivered to Embassy despatch in memo form prepared hastily by Benninghoff immediately prior to departure courier vessel from Dairen. Full text follows:

"On Thursday, December 12, this office received a repeat message from Shanghai to Tsingtao in which the ConGen at Tsingtao was

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<sup>51</sup> Not printed.



asked to arrange with ComSev Fleet for a monthly courier service to Dairen to leave Tsingtao not later than the 20th of each month. In that message it was stated that on the present trip the courier would be accompanied by a representative of the Texas Co. As this office had no knowledge then that the ComSev Fleet would acquiesce in that request, the Soviet authorities in Dairen were not then informed.

On Saturday, December 14, a short message was received stating that an unarmed naval vessel would leave Tsingtao on December 17 arriving in Dairen, the following morning, bringing a courier and a Standard Vacuum representative and a small amount of supplies. Acting on that message, the ConGen early Monday morning, December 16, informed the Acting Soviet ConGen that the ship would arrive on the 18th with a courier and a Standard Vacuum representative possibly a Caltex representative.

When the ship finally docked shortly after noon on December 18, it was discovered that, in addition to Mr. Poole of the SVC, there were on board a correspondent and a photographer concerning whom no information had been received by this office previously.

The Soviet officials who boarded the ship and interviewed Commander Yates were told by him that there were on board a courier, Mr. Poole of the SVC and the two newspapermen mentioned above. During Commander Yates' conversation with Soviet authorities it became clear that the officers, a major and a captain, were under instructions to permit the landing only of the courier and three naval officers including Commander Yates. These two officers were representatives of the local Soviet Commandant, Major Gen. Kozhanov. They stated that they had no instructions regarding the landing of other people, and that they would have to refer to higher authorities the desires of Mr. Poole and the two correspondents to go ashore.

It should be stated that before these Russian officers boarded the ship, the 'immigration' officer boarded this ship in the outer harbor and inspected Mr. Poole's and the courier's papers.

When the ship finally docked, therefore, the only persons who were allowed ashore were the courier and three naval officers. Mr. Poole and the two correspondents were awaiting information concerning their applications to go ashore.

Early the next morning, December 19, Mr. Patch, the American Vice Consul, was informed by telephone by the Acting Soviet Consul General that neither Mr. Poole nor the correspondents would be allowed ashore. A few hours later, about noon, the ConGen accompanied by Mr. Patch as interpreter called on Mr. S. N. Petrov, the Acting Soviet ConGen, to inquire as to why American citizens, especially Mr. Poole, were not allowed to land in Dairen. Mr. Petrov disclaimed all responsibility in the decision, and in the course of a long conversation it developed that according to his understanding the Soviet military would not permit anybody except a diplomatic courier to land unless prior notification had been received through Soviet channels. The ConGen pressed the point, and asked that Mr. Petrov arrange for him an interview with the commandatur. Mr. Petrov thereupon telephoned the commandant's office and was informed, in Russian of course, that the commandant was inaccessible because he was in Port Arthur. (There is a suspicion that this telephone con-

versation was 'canned' and that it was arranged beforehand and that the commandant was in Dairen all the time.) The ConGen requested Mr. Petrov to use his good offices regarding Mr. Poole and the conversation terminated.

In view of the fact that the ConGen could not get in touch with the commandant, the highest local authority, he requested Commander Yates to delay the departure of his ship for up to 24 hours in order to enable him to make a second request for an interview with the commandant on the following day.

From early morning December 20 the ConGen endeavored to get in touch with the commandant through the Soviet ConGen, but without success. At about 2 p. m., on that day the ConGen accompanied by Mr. Patch called at the office of the commandant and was told that he was not there. Fifteen minutes later the ConGen called at the home of the commandant. The sentry at the gate was asked to inform the commandant that the American ConGen was at the gate and wished to speak to him. The sentry went to the house to seek instruction. While the ConGen and Mr. Patch were standing in the street awaiting the return of the sentry, the same major who boarded the ship 2 days before drove up in a car and went into the commandant's house. About 5 minutes later he came back to the gate, and informed the ConGen and Mr. Patch that the commandant was 'not at home'. (Despite the fact that the general's voice had been heard in the meantime instructing the sentry to refuse entry to everybody.) The major pulled out his watch and said that permission had originally been granted to the ship to remain for 48 hours and that already that period had expired by about 1 hour. The major was very rude and brusque, for the first time in the 8 months' experience of the ConGen in Dairen, and further parley seemed useless. The ConGen and Mr. Patch thereupon went back to the office and as rapidly as possible collected the personnel of the ship who were ashore, asked them to go back aboard, and requested Commander Yates to leave the port.[""]

STUART

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893.9111 R.R./12-3146: Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, December 31, 1946.

[Received December 31—3:22 a. m.]

2211. Comments on Dairen by Foreign Office spokesman George Yeh at Ministry of Information press conference 30th:

"Chinese Government adheres to terms of Sino-Soviet treaty on Dairen which only places Dairen under the sphere of military control in case of war with Japan. We do not consider a state of war exists now in the case of Soviet Russia and China on one hand and Japan on the other hand. So administration of Dairen is clearly under Chinese jurisdiction."

Queried if China would immediately take over jurisdiction of Dairen if there were no Chinese Communist obstruction, Yeh replied, "yes, legally we have every right to. You may recall in this connection that last May 23 Soviet Ambassador notified the Chinese Govt that as of May 3 all Soviet troops had been withdrawn from the northeastern provinces of which Dairen is an integral part."

Queried about the recent United States naval courier ship incident, Yeh replied, "our Government has not yet received official reports and therefore cannot form judgment on information at hand".

STUART

693.0023/12-3146 : Telegram

*The Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, December 31, 1946—7 p. m.

1252. Please address to FonOff note reading substantially as follows (telegraph promptly to Dept when note is delivered as Dept plans to release substance thereof to press) :

"The recent incident at Dairen involving an American courier vessel visiting the port emphasizes to this Govt the desirability that the current unsatisfactory situation with regard to the status and control of the port of Dairen be promptly considered by the Chinese and Soviet Govts with a view to the implementation of the pertinent provisions of the Soviet-Chinese agreement of August 14, 1945, in regard to Dairen. This Govt perceives no reason why there should be further delay in reopening the port under Chinese administration to international commerce as contemplated in the aforementioned agreement.

"The Govt of the United States, while fully appreciating that this is a matter for direct negotiation between the Chinese and Soviet Govts, feels that it has a responsibility to American interests in general to raise the question with the two directly interested Govts in the hope that the abnormal conditions now prevailing at Dairen may be terminated at an early date and that normal conditions be established which will permit American citizens to visit and reside at Dairen in pursuit of their legitimate activities.

"In the foregoing connection this Govt also wishes to express the hope that agreement can be reached soon for the resumption of traffic on the Chinese Changchun railway. (Sent Nanking 1252 and Moscow 2208 for action.)

"It is believed that prompt implementation of the agreements with regard to Dairen and the railway would constitute a major contribution to the reestablishment of normal conditions in the Far East and the revival of generally beneficial commercial activity. This Govt therefore would be glad to have the assurance of the Chinese and Soviet Govts that all necessary steps to this end will be taken in the near future.

"A similar approach is being made to the Soviet Govt at Moscow."

BYRNES



## CHINESE ATTEMPTS TO RESOLVE LOCAL PROBLEMS IN SINKIANG AND SOVIET ATTEMPTS TO ACQUIRE EXCLUSIVE TRADE CONCESSIONS IN THAT PROVINCE <sup>1</sup>

893.00/1-246 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, January 2, 1946—1 p. m.

[Received January 3—3:38 a. m.]

7. According to telegram dated December 30 from Ward,<sup>2</sup> Chiang Ching-kuo<sup>3</sup> arrived Tihwa December 26 and departed for Moscow December 28. (Embassy's 2232, December 28 to Dept, repeated Moscow.<sup>4</sup>) Ward says negotiations are proceeding with rebels; that Liu<sup>5</sup> is confident of settlement and feels it may be soon, although (sent to Dept as 7; repeated to Moscow as 2) some local Chinese have taken umbrage at two new rebel desiderata: (1) that troops brought in to put down rebellion be withdrawn after settlement and (2) that secret police be disbanded.

ROBERTSON

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893.00/1-846 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, January 8, 1946—8 a. m.

[Received 2:47 p. m.]

48. By series of six telegrams dated January 3 (two badly garbled and being serviced) Ward reported that General Chang Chih-chung<sup>6</sup> left Tihwa January 3 after signing on evening of January 2 an 11-point agreement with Ining rebels. (Embassy's 2232, December 28,<sup>4</sup> repeated Moscow.) Points covered in agreement include freedom

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<sup>1</sup> For previous correspondence regarding conditions in Sinkiang, see *Foreign Relations*, 1945, vol. VII, pp. 985 ff.

<sup>2</sup> Robert S. Ward, Consul at Tihwa.

<sup>3</sup> Son of Generalissimo Chiang Kai-shek, President of the National Government of the Republic of China.

<sup>4</sup> *Foreign Relations*, 1945, vol. VII, p. 1024.

<sup>5</sup> Liu Tse-jung, Chinese Commissioner for Foreign Affairs in Sinkiang.

<sup>6</sup> Personal representative of Generalissimo Chiang Kai-shek in Sinkiang since September 1945; Chinese Minister of Political Training.

of religion, speech and publication; reorganization of rebel troops as Peace Preservation Corps; use of Turki language as well as Chinese in Govt documents, etc.; release of political prisoners; reorganization of schools with lower and middle schools [apparent omission]; assurance of cultural protection; tax relief; freedom of trade; exchange of prisoners taken in course of current hostilities; and reorganization of Govt. (Here follow garbled messages which will be reported when serviced.)

Ward states that, to give effect to agreement, Central Govt will accept resignation of Chairman and members of present Govt, after which Chang will concurrently be made Chairman and Chief of Northwest Defense Headquarters.

(Sent to Dept as 48, repeated Moscow as 9) Ward comments that, while agreement falls far short of meeting aspirations of Turki, and will almost certainly be opposed by Chinese as conceding too much, it affords China an opportunity to make a fresh start in Sinkiang and if energetically and steadfastly implemented, would ensure a continuance of Chinese sovereignty in the province.<sup>8</sup>

Chungking press reports Gen Chang has returned to this city.

ROBERTSON

893.00/1-1246 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, January 12, 1946—4 p. m.

[Received January 12—3:40 p. m.]

89. Garbled messages from Ward referred to in Embtel 48, January 8, repeated Moscow as 9, have been serviced. He states that reorganization of Govt covered in agreement provides for appointed Chinese chairman, 2 appointed Turki vice chairmen, 1 ex-rebel and 1 non-rebel; appointed 25 man Provincial Committee with 15 Turki members; 4 bureaus, heads of 2 (Reconstruction and Education) to be Turkis; offices with Chinese chief to have Turki vice chief and vice versa; *chuan yuan* (heads of districts comprising several hsien) and hsien magistrates to be elected; question of election chairman and Provincial Council to await decision of National Constitutional Convention. Two unsettled points, presumably concerning Chinese troops and police, subject further negotiations.

Ward comments that agreement represents successful negotiated settlement of situation pregnant with gravest threat to peace, and

<sup>8</sup> Marginal notation by the Assistant Chief of the Division of Chinese Affairs (Rice): "Chinese News Service Jan. 8 says 13 articles and Annex I (of three supplementary articles) agreed to but Annex II (of five articles) not agreed to."

says that credit for achievement must in first instance be given unreservedly to three men: Liu Tse-jung, Chang Chih-chung, and Soviet Consul General Evseef. Liu had subtlety and sense to comprehend situation; Chang had balance and lucidity to be accessible to the truth and integrity to secure confidence of natives; Evseef worked sincerely and faithfully to discharge his good offices, leaning over backward to help Chinese.

(Sent Dept as 89; repeated Moscow as 11) In telegram dated January 4, Ward remarks further that the Turkis tan [*also?*] deserve no little credit for their willingness to arrest march which would almost certainly have left them masters of Sinkiang and to accept instead negotiated peace. Developments have also vindicated very small group which held out against anti-Soviet hysteria long enough to keep road open for Chang. Of this group British Consul Turrall was stalwart member and his Govt's willingness to leave him here even though his successor had arrived is thus more than justified.

Ward adds that there remains a note of warning: Chinese appear to have forgotten their extremity in September and strong pressure to whittle away already very slender concessions to Turkis will doubtless begin to make itself felt as soon as Chang reaches Chungking. But this course would invite disaster, Ward believes; for Chinese to fail to live up fully to letter and spirit of their settlement would bring upon them catastrophe which has just been so narrowly averted in Sinkiang.

ROBERTSON

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893.00/1-1746: Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, January 17, 1946—5 p. m.

[Received January 18—9:47 a. m.]

124. By telegram dated January 14 Ward informs Embassy that Chiang Ching-kuo left Tihwa for Chungking Jan 13. (Sent to Dept, repeated Moscow as 16.) Ward says Chiang is understood to share conviction that first prerequisite for peace is clean sweep of present provincial regime.

For Chargé:  
SMYTH<sup>9</sup>

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<sup>9</sup> Robert L. Smyth, Counselor of Embassy in China.



893.00/3-2146 : Telegram

*The Counselor of Embassy in China (Smyth) to the  
Secretary of State*

CHUNGKING, March 21, 1946—8 a. m.

[Received March 23—6:10 a. m.]

531. Appointed Commander of Northwest Field Headquarters and concurrently Chairman of Sinkiang Province has been Chang Chih-chung. Kuo Chi-chiao, Deputy Commander at Tihwa, who made speech predicting failure of peaceful settlement, will be transferred to Lanchow as Deputy Commander Northwest Field Headquarters and will be replaced at Tihwa by General Sung Hsi-lien. Masud Sabri, venerable and respected Turki leader, has been appointed commissioner of supervision of Sinkiang. These dispositions are all good. (This is substance of message dated 18 March for Ward at Tihwa. Sent Dept as 531, repeated Moscow 41, March 21, 8 a. m.)

Chang Chih-chung expected to arrive Tihwa about 25 March after stop-over at Lanchow. Rebel delegates should arrive Tihwa about 27 March for negotiations on important supplementary issues. Rebel army remains on Manass River and crisis cannot be regarded as safely past as long as this situation prevails.

Imminent replacement of Evseef, Soviet Consul General, is unfortunate. However, Ward remains confident that settlement satisfactory to all parties can and will be achieved. Only danger lies in possible failure of FonOfs to realize extreme delicacy of situation and need for patience and understanding in devolution of settlement.

SMYTH

893.00/5-2946 : Telegram

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*The Counselor of Embassy in China (Smyth) to the  
Secretary of State*

NANKING, May 29, 1946—8 a. m.

[Received 2:27 p. m.]

879. Through good offices Soviet Consul General and labors of Governor Chang Chih-chung, deadlock in Sinkiang negotiations which continued from last days April through 10 May broken 11 and 12 May by Chinese agreement establishment six regiments rebel troops to garrison Ining, Tacheng and Chenghwa (Embtel 843, May 22.<sup>10</sup> This message complete[s] text Ward's 65 through 73 from Tihwa dated 14 and 15 May) rebels on their side dropped demand to have one regiment each Kashgar and Aqsu.

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<sup>10</sup> Not printed.

Chinese have agreed not to despatch troops other than those so stationed into areas garrisoned by ex-rebel regiments although border of Sinkiang is to be held by Chinese troops; Chinese have also agreed to consult ex-rebel views in proposed reorganization of Peace Preservation Corps in Kashgar and Aqsu. Rebels have today presented list of eight nominees for posts in Provincial Govt; only very slight differences 6-point Govt plan remain and it should be possible to complete new supplementary agreement and [give] effect thereto on establishment of the new Sinkiang Provincial Govt within 4 or 5 days.

However, it must be most sharply emphasized that even when these things shall have been brought about they will represent only the essential conditions precedent to a solution of the Sinkiang problem rather than amounting in themselves to such a solution.

It is automatic that no alien ruling minority can hope to maintain its rule by anything less than its complete dedication to the welfare of the native people. The Chinese have now procured another chance, albeit almost certainly their last one, to make good their governance of Sinkiang. If they fail again, Sinkiang will be irrevocably lost.

They can avoid such failure only by the most urgent and vigorous action to raise the living standards of the people, to increase production, to reopen trade, to provide for at least a bare minimum in public health, to build adequate system of good roads, to establish an educational system in the Turkish language, to set up native printing presses, and to wipe out the present fantastic corruption among the Chinese Govt officials.

The last of these objectives is far and away the most immediately pressing: Chang should receive complete support from the Central Govt in a crusade to clean up the Govt of Sinkiang; several leading officials of the last regime should be publicly exposed and their gross speculations should be spread over headlines in China. For Sinkiang at least, this is a political imperative of the first order of importance.

If the Chinese speedily achieved these objectives and there was still not peace, the Chinese case and cause would then be unassailable. On the other hand, if they do not act at once to attain them, peace is impossible and China will be fortunate if she loses only Sinkiang.

Sent Dept 879, May 29, 8 a. m. Dept please repeat to Moscow.

SMYTH

893.00/5-2946 : Telegram

*The Counselor of Embassy in China (Smyth) to the  
Secretary of State*

NANKING, May 29, 1946—9 a. m.

[Received 12:15 p. m.]

880. Agreement has been completed but difficulty has been encountered in vexatious problem of procuring accurate translation into Turki, especially since rebel delegates remain very suspicious and insist on word-by-word examination of text. (Embtel 879, May 29, 8 a. m. This message is substance of Ward's 76 through 79 from Tihwa dated 22 May.)

When translation has been completed, rebels will return Ining to procure formal acceptance of agreement by rebel regime. Central Govt acceptance is expected to be given at meeting of Executive Yuan, Nanking, 28 May.

Agreement does not provide specifically for withdrawal of rebel army from Manass River; Chinese believed that this withdrawal could best be effected incidentally, as a result of making rebel commander face [*vice?*] chief of Peace Preservation Corps under Chang Chih-chung, whereafter the Manass River troops not being provided for under the agreement, Chang, as Commandant of Peace Preservation Corps, could order his vice-chief to effect their removal.

When this particular formula was first explained to me, I thought it very good, but now feel some anxiety, in light of very sharp and minute attention which Turkis are giving to translation of agreement, whether any arrangement which is not explicit, however clearly it may be implied, can be got to work smoothly. Nevertheless, it would be very unfortunate were agreement to be rejected by Central Govt.

Sent Dept 880, May 29, 9 a. m., Dept please repeat to Moscow.

SMYTH

761.93/6-646 : Telegram

*The Ambassador in the Soviet Union (Smith) to the  
Secretary of State*

Moscow, June 6, 1946—10 a. m.

[Received June 6—9:41 a. m.]

1770. Essential difference between developments in Azerbaijan and those in Sinkiang (Nanking's 879, May 29) is one of timing. USSR manipulation of Azerbaijan situation was precipitate and therefore Soviet tactics were necessarily heavy-handed and obvious. Overt nature of Soviet aggression in Azerbaijan aroused rest of world and



caused strong international opposition which proved embarrassing to USSR and obstructive to smooth realization of Soviet aims.

Soviet timing in Sinkiang has been most deliberate and cautious. USSR is taking its time with regard to Sinkiang, quietly assisting or perhaps only standing by and watching genuinely indigenous forces accomplish changes favorable to USSR. By not forcing pace of developments in Sinkiang, USSR may get what it seeks—effective control over province—without arousing international alarm and concerted resistance.

Agreement reached by Government and rebels as reported by Ward represents a considerable Soviet advance. This is certainly so if rebels are witting or unwitting tools of Soviet. It is still so even if rebels are in no respect—which hardly seems likely—subject to Soviet influence, because rebel gains mean weakening of Government authority which in turn means strengthening of Soviet position in Sinkiang.

We concur with Ward's comment that only way in which Nanking will be able to maintain its authority in Sinkiang is to institute provincial administrative housecleaning and general reforms.

Our attitude in this respect is based on our general belief that most effective way to combat Soviet political expansionism is to cut the ground out from under Soviet case by ourselves supporting reform. Elimination of just causes for complaint, whether they be in Sinkiang, Azerbaijan or Greece, is to heighten domestic resistance to Soviet intrigue and to expose any Soviet expansionist movements as pure aggression.

Request Nanking give copy of this to General Marshall <sup>11</sup> at once. Department relay this to Nanking as Moscow's 79.

SMITH

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893.00/6-1346 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

NANKING, June 13, 1946—11 p. m.

[Received June 13—5 p. m.]

965. Following Ward's 87 through 94, June 7, 1946.

Signing of agreement (which is properly known as supplement 2 to agreement of January 2, supplement 1, outlining the structure of the provincial govt, having been signed at same time as original agreement) by Gen. Chang Chih-chung for the Central Govt and three delegates for Ining regime, was completed last night at 7:30.

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<sup>11</sup> General of the Army George C. Marshall, Special Representative of President Truman in China.

Supplement II contains six articles: Article I: Rebel troops in Ining, Tacheng and Ashan administrative districts to be reorganized into 6 regiments, 3 cavalry and 3 infantry, totaling 11 to 12,000 men, 3 regiments of which are to be National Govt troops and 3 regiments provincial Peace Preservation Corps.

Article II: Muslim nominated by Ining to command all 6 regiments, being responsible to Sinkiang garrison commander for 3 national regiments and to Sinkiang peace preservation commander for 3 regiments PPC;<sup>12</sup> same Muslim to be Vice-Commander of all Sinkiang PPC.

Article III: Six regiments to remain in three administrative districts of Ining, Tacheng and Ashan and to have sole responsibility for maintenance of peace in those districts. Central Govt frontier defense troops to undertake defense of national frontiers, following method and distribution of troops identical to that prevailing prior to revolt.

Article IV: Aqsu and Kashgar units of Peace Preservation Corps to be reorganized, using native recruits and in consultation with Muslim commander.

Article V: Supply, equipment and treatment of 6 regiments to be on par with top national army and PPC respectively.

Article VI: Reorganization of rebels troops into 6 regiments to be responsibility of Muslim commander; garrison points of these troops in 3 administrative districts to be reported to and approved by provincial authorities. This agreement will take effect upon Gmo's<sup>13</sup> approval; personnel appointments in reorganized provincial govt will be submitted to, and passed upon, by Executive Yuan meeting June 18.

It is in my opinion urgently important that the Central Govt should clearly understand the vital importance of giving Gen Chang Chih-chung the fullest and most unstinted support in these and in any other dispositions which he may recommend. [Ward.]

Sent Dept 965. Dept please repeat Moscow.

SMYTH

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761.00/6-1546 : Telegram

*The Ambassador in the Soviet Union (Smith) to the  
Secretary of State*

Moscow, June 15, 1946—3 p. m.

[Received June 16—1:52 a. m.]

1890. Development of Soviet policy in Asia appears to be shaping up on different pattern from Soviet policy in Europe. USSR medi-

<sup>12</sup> Peace Preservation Corps.

<sup>13</sup> Generalissimo Chiang Kai-shek.

ated in Sinkiang between Government and rebels, and conduct of Soviet officials there appears to have been designed to avoid giving open cause for criticism of USSR. Trend with regard to Iran seems to be in similar direction. And now with announcement of Soviet-Afghan agreement<sup>14</sup> on frontier questions, which for years have caused Afghan anxiety, USSR appears to have taken another step in direction of "correct" relationship with its Asiatic neighbors. These disarming symptoms, in contrast to Soviet truculence in Europe, do not by any means indicate that USSR has abandoned predatory aims in Asia. They simply represent different tactical approach.

They suggest that Soviet policy, calculating that time and the forces of decay and regeneration in Asia are on Soviet side, are relying heavily on: (1) Ingratiation with Asiatic masses; (2) holding USSR up as contrast to "imperialist" USA and UK; (3) intrigue and covert political manipulation of native fifth column. These tactics are more dangerous than more obvious ones employed in Europe and will bear close attention and reporting. (Department please repeat to Paris as Moscow's 183, to Tehran as 112 and Nanking as 83).

SMITH

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893.00/10-346 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 3, 1946—9 a. m.

[Received October 3—3 : 15 a. m.]

1577. [For Penfield from Bayne.<sup>15</sup>]

1. Fortnight ago Soviet Consul General in Sinkiang began conversations with Chinese Provincial Governor requesting on a "basis of realities" concessions to Soviets of all mineral and petroleum rights in the province. Provincial Governor referred the matter to Executive Yuan. Soong asked Wong Wen-hao<sup>16</sup> to advise the Generalissimo that such discussions should be conducted at the Central Government level.

2. Soong believed, Wong advised me, that a stronger front could be made against the Soviets' demand in Sinkiang if brought out into government to government basis. This opinion based on experience

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<sup>14</sup> Signed at Moscow, June 13, 1946, United Nations Treaty Series, vol. 31, p. 147.

<sup>15</sup> This notation appears on copy in Marshall Mission files. James K. Penfield was Deputy Director of the Office of Far Eastern Affairs, and E. A. Bayne was an American official loaned as special assistant on reparations matters to the President of the Chinese Executive Yuan (Soong).

<sup>16</sup> Vice President of the Chinese Executive Yuan and President of the Chinese War Production Board.



between local and national discussions on Manchurian affairs last winter.

3. Wong believes Generalissimo wavering toward appeasement so long as sovereignty is not affected and may allow the negotiations to continue on a provincial basis, probably eventuating in major concessions. [Bayne.]

STUART

893.63/10-546 : Telegram

*The Acting Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, October 5, 1946—1 p. m.

835. Development reported Urtel 1577 Oct. 3 is matter of grave concern to Dept. In giving consideration to problem Dept interested in knowing (1) whether Soviet proposal is for exclusive blanket concession for all of province, exclusive concession for certain areas of province or nonexclusive blanket concession; (2) would there be any advantage in making approach to both Soviets and Chinese somewhat along lines of our notes of last spring regarding Manchuria;<sup>17</sup> (3) have you secure communications with Ward to enable exchange of information. Please avoid giving Chinese impression that we might make representations to the Soviets regarding this matter.

Sent to Nanking. Repeated to Paris and Moscow.

ACHESON

661.9331/10-1246 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 12, 1946—4 p. m.  
[Received October 13—12:08 p. m.]

1649. Upon receipt Deptel 835, October 5, 1 p. m., Embassy sent for Bayne who stated he had no further information but would pursue matter as opportunity offered. As regards question numbered 1, he stated categorically that the proposal was for exclusive concession for entire province.

In course of discussion with Beal,<sup>18</sup> Thurston and Butterworth<sup>19</sup> regarding problems of world trade charter, Dr. Kan Nai-kuang, Vice Minister Foreign Affairs, cited Soviet initiative re Sinkiang as illustrative of problem as to how and on what terms a country with a

<sup>17</sup> For correspondence on this subject, see pp. 1099 ff.

<sup>18</sup> John R. Beal, American adviser to the Chinese Government on foreign press and political relations.

<sup>19</sup> W. Walton Butterworth, Minister-Counselor of Embassy in China.

noncontrolled economy would deal with country with totalitarian organized economy. Later Butterworth pursued this matter with Dr. Kan who confirmed that initial approach had been made by Soviet Consul General to Provincial Chinese Governor. He indicated that Central Govt had at first proposed that Soviet emissaries come to Nanking to negotiate but had later acceded to recommendations of Chinese Provincial Govt and had decided to send accredited Chinese negotiators to Sinkiang to conduct these negotiations. Dr. Kan asserted that Soviets had made neither detailed proposal nor demand of an exclusive nature. He regarded proposal as a bona fide approach to increase trade between two contiguous areas and stated that Chinese authorities in Nanking, no less than Provincial Govt in Tihwa, desired such increased trade.

Incidentally, when passing a copy of Bayne's telegram <sup>20</sup> to General Marshall on October 3, when negotiations with the Generalissimo were at a very tense stage, Embassy queried: "Why should this come at this particular moment? Is it chance or is it now leaked to remind us of the large issue?"

Needless to say, we shall continue to pursue this matter and attempt to sift out and confirm the facts.

Situation regarding Ward was described in Embassy's 1627, October 10.<sup>21</sup> In the circumstances Embassy does not believe it can be assumed that codes now at Tihwa are still secure and, therefore, it is seeking other means of communicating with Ward when he returns.

STUART

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761.93/10-1446 : Telegram

*The Consul General at Shanghai (Davis) to the Secretary of State*

SHANGHAI, October 14, 1946—noon.

[Received October 14—2 a. m.]

1993. For Butterworth and Ambassador from Bayne.

"1. Re Manchuria. Chien,<sup>22</sup> NSC [NRC?] Chief just returned from Manchuria, states no Soviet proposals made recently. However, Chinese expect proposals eventually.

2. Re Sinkiang. Wong Wen-nao, interviewed yesterday advised that Soviets are interested in exclusive rights and a degree of monetary control not yet made clear. There appears to be no direct connection between these negotiations and recently rumored Soviet pressure in Manchuria. Latter culminated in protest note to China

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<sup>20</sup> See telegram No. 1557, October 3, 9 a. m., from the Ambassador in China, p. 1209.

<sup>21</sup> Not printed.

<sup>22</sup> Chien Chang-chao, Chairman of the National Resources Commission of the Chinese Executive Yuan.

station [*stating*] that Soviets as part owners of railway did not approve Nationalist troops using railway in war offensives. Chinese rejected note flatly. Russian troops or technicians then waiting in Manchuria to begin joint operations of railway were withdrawn. No further word on this subject has been heard, and Chinese are fearful of next Soviet step.<sup>23</sup>

3. Generalissimo has authorized two officials not yet named by Soong to join with Sinkiang Governor in economic negotiations with Soviet Consul General locally. These three will conduct talks to point of preliminary agreement when entire matter will be referred to Nanking for possible signature by top level.

4. Wong suggested that United States might wish to avoid taking open stand or position until matter is returned to Nanking from preliminary negotiations in Sinkiang. He states that while his position and mine as informant should be protected in this matter, Embassy might inquire at Foreign Office using rumor as basis and be informed of Sinkiang situation officially."

Sent Nanking as Shanghai serial 1136, October 14, noon; repeated Department 1993. [Bayne.]

DAVIS

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661.9331/10-2046 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 20, 1946—9 a. m.

[Received October 20—7:30 a. m.]

1704. Embassy has found it possible to confirm from responsible Foreign Office official information supplied in Embtel 1649, October 12, 4 p. m. It has also been given to understand that Soviet proposals included joint operation of a tin mine and a wolfram mine, but the suggestion was not made that all such mines should be so exploited. As Dept is aware, Russia has for past dozen years been a large importer of molybdenum from US and for many purposes wolfram can be blended by steelmakers with other ferrous alloys in substitution for molybdenum. Furthermore, it is indispensable to the machine-tool industry.

Foreign Minister <sup>24</sup> has had interview with Soviet Ambassador <sup>25</sup> in the matter of withdrawal of Soviet railways officials from Mukden area and expressed hope that no officials would be withdrawn except those who were ill or who were being replaced in view of desirability of China and Russia working out satisfactorily their joint problems.

STUART

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<sup>23</sup> See also pp. 362 ff., *passim*.

<sup>24</sup> Wang Shih-chieh.

<sup>25</sup> Appolon Alexandrovich Petrov.



Nanking Embassy Files, Lot F79—610 Sino-Soviet (Sinkiang) : Telegram

*The Consul General at Shanghai (Davis) to the Ambassador in China (Stuart)*

SHANGHAI, October 23, 1946.

1175. For Butterworth from Bayne. Following report made personally to Wong Wen-hao by Executive Yuan representative who returned from Sinkiang last week. (Sent Embassy as Shanghai 1175, Oct. 23, 1 pm, rpt Washington for Penfield 2066, remytel 1136, Oct. 14 to Washington as 1993.)

1. Soviet economic requests are for joint exploitation rights in petroleum, tungsten, gold and other raw materials not specifically named.

2. While Soviet Consul General states that actual number of Soviet citizens registered is only 2000, Executive Yuan representative believes approximately 25% of non-Chinese population have accepted Soviet citizenship. Among those believed to be Soviet citizens by Chinese authorities in Sinkiang are several members of Provincial Council including the Vice Chairman who are non-Chinese.

3. Reported as local rumor is fact that provincial council members who are non-Chinese have returned allegedly from political training schools in Moscow and that as Soviet citizens these members may propose dismemberment of Sinkiang Province into four republics which would each have borders adjoining Soviet territory. [Bayne.]

DAVIS

893.63/11-146 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, November 1, 1946—9 a. m.

[Received November 1—8: 40 a. m.]

1787. Chinese Govt is obviously using delaying tactics in matter of Sinkiang negotiations and so far as Embassy can ascertain it has not yet appointed officials to proceed to Tihwa. In the meantime it has notified Soviet Consul General at Tihwa that Chinese Govt agrees in principle to the joint exploitation of tin and wolfram mines on the understanding that the management is to remain in Chinese hands. (See Embtels 1649, October 12, 4 p. m., and 1704, October 2[20], 9 a. m.)

As regard trade he has also been informed that Chinese Govt is awaiting reply to communication made to Soviet Ambassador about a year ago in the matter of channelizing Soviet trade in Sinkiang through a single agency set up for the purpose.

STUART

661.9331/11-1946 : Telegram

*The Consul General at Shanghai (Davis) to the Secretary of State*

SHANGHAI, November 19, 1946—noon.

[Received 11 p. m.]

2271. Further report received from Bayne on Sinkiang situation, reference my telegram 1175, October 23; repeated to Department as 2066.

Governor Chang this province expected arrive shortly in Nanking for new instructions on dealing with Soviet Consul General at Tihwa. Since he had already offered Soviets joint operation of tin, petroleum and tungsten deposits on basis of blanket instructions received from Chiang Kai-shek when he took post, Governor's instructions as previously reported to you have been both rejected and preempted by him in that he has already offered concessions to Soviets that do involve political sovereignty. Chang is also protesting as loss of face withdrawal of trade proposal made by Chinese to Soviets last year. Above is substance of Executive Yuan memorandum received from Foreign Office. Present uprising currently reported in press is not considered by Government as being directly connected with economic discussions. Present indications are that limiting instructions as reported will be adhered to by Nanking.

Sent Department as 2271; repeated Nanking as 1281.

DAVIS

661.9331/11-1946 : Telegram

*The Acting Secretary of State to the Consul General at Shanghai (Davis)*

WASHINGTON, November 22, 1946—7 p. m.

2131. Your recent message re Sinkiang (2271, Nov 19) not clear Dept, particularly phrase "rejected and preempted by him in that he has already offered concessions to Soviets that do involve political sovereignty". Who has offered concessions and do you know what they are?

ACHESON

661.9331/11-2746 : Telegram

*The Consul General at Shanghai (Davis) to the Secretary of State*

SHANGHAI, November 27, 1946—1 p. m.

[Received November 27—6 a. m.]

2338. Phrase quoted Department's telegram 2131, November 22 should have read "do not involve political sovereignty". Sinkiang

Governor offered to Soviets joint participation in exploitation of tungsten, tin and petroleum deposits. No other concessions offered except possibly parallel arrangement on gold. Further report will be made as soon as additional information received.

DAVIS

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761.93/11-3046 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, November 30, 1946—2 p. m.

[Received December 1—3:40 a. m.]

2009. Ward arrived November 25 en route Washington. He summarizes Sinkiang situation as follows:

1. Sino-Soviet Economic Negotiations. In September Chang Chih-chung submitted tentative proposals covering Sino-Soviet economic cooperation in Sinkiang to Central Government. After considerable delay, Central Government in October appointed three-man committee to undertake negotiations generally along lines proposed, Chang himself to head delegation with Liu Tse-jung as representative Ministry of Foreign Affairs and Kao Shu-kang as representative Ministry of Economics. Kao arrived Tihwa from Nanking with revised instructions November 1; on November 4, under Central Government instructions which Kao brought, following proposals were handed to Soviet Consul General:

1st. Trade to be reopened over Sinkiang border; actual trading to be controlled on Chinese side by (a) Government organized trading body, or (b) by govt recognized monopoly formed by merchants engaged in the trade;

2d. Sinkiang's oil, tin and tungsten to be exploited by Sino-Soviet company, shares of which company are to be held equally by China and Russia, China retaining administrative primacy, while Soviets would hold precedence in control of technical operations of company;

3d. Soviet Russia to assist China in reconstruction of Sinkiang through supply of industrial equipment, etc., actual terms, amounts of equipment, to be settled subsequent to conclusion of present agreement.

According to Liu Tse-jung, although no reply had as yet been received by the Consul General from Moscow anent these proposals, no unsurmountable difficulties to negotiation of agreement along these lines are expected. In explanation of apparent generosity of terms offered, Liu referred to blanket contract between Sheng Shih-tsai<sup>26</sup> and Soviets promising latter all subsoil rights in Sinkiang; Chinese have no copy of this contract but believe Soviets may have and might require performance on it, a move which Chinese would resist.

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<sup>26</sup> Former Governor of Sinkiang.



2. Relations [with?] rebels. The liquidation of the rebel regime in three western districts of Ining, Tacheng, and Chenghwa was proceeding very unevenly and in some respects unsatisfactorily. Ahkmed Jan, most energetic and influential of Turki rebel leaders, had accepted his role as Vice Chairman and had moved to Tihwa where he was cooperating fully with Government (he is now in Nanking with Turki Delegation to National Assembly); Provincial Government was assisting rebel areas in financial rehabilitation, having agreed to retire for Sinkiang currency the very large rebel note issue which Ining had printed to finance its revolt. The economic situation of rebel areas presented great difficulties since, contrary to widely accepted theory that Soviet-Ining border had been opened by Russians during revolt, it is now known beyond dispute that Soviets kept border tightly sealed throughout revolt, permitting no exchange of commodities; goods famine in Ining which occurred during revolt more grave than that in Tihwa; whereas Tihwa had hoped to receive cheap supplies of shoes, etc., from Ining, it is now required to make shipments to Ining, where prices of many commodities are even higher than in Tihwa. These facts do not preclude probability that some arms were brought across border during revolt presumably with tacit consent Soviet border authorities but possibly without their knowledge, since many Kazaks in Kazak state still possess illegal arms.

Political institutions of rebel area have been assimilated to those of rest of province; Turki head of Ining district, for instance, having been duly appointed chief district official by Provincial Government; election of Turki district magistrates in ex-rebel areas was proceeding apace by middle of November.

Military clauses of Ining agreement have proved major stumbling block. Although number of regiments permitted to ex-rebel areas was closely prescribed and ex-rebel troops were expected to wear uniforms of Chinese army, no Chinese military inspection of those troops has yet been possible and it is not known whether required reduction in their numbers has in fact occurred. Ex-rebels also continue to use their "national" flag; on visit of General Chang later in August to Ining, there were more rebel flags in evidence than Chinese; some Chinese also felt that Chang was not received with full honors and courtesies due chairman of Sinkiang. These and other circumstances led British Consul, who was in Ining shortly thereafter, to believe that Ining regime is no more than puppet of Soviets. In this connection it should be noted, however, that his relations with remnant anti-Soviet White Russian community in Sinkiang have been very close and his view may therefore not be entirely objective.

On other hand, there remains ample evidence throughout province of strong anti-Chinese feeling which would presumably [have] facili-

tated dissemination of pro-Soviet propaganda. In late summer, for instance, some 1500 Chinese who had fled from Tacheng into Soviet Russia during revolt were returned by Soviets to Tacheng for transfer by Chinese Government to Tihwa and interior. In Tacheng, last group of these repatriates to leave that city were attacked by populace, some of them being killed. Turkis claim that only 17 of these Chinese ex-officials lost their lives and that massacre was in retaliation for brutality and corruption with which they had earlier governed Tacheng. Chinese in Provincial Government claim, however, that 37 Chinese lost their lives; among non-official Chinese in Tihwa, number is alleged to have been 70, and it is asserted positively in latter circles that Chinese wives of murdered men, while being escorted under Turki guard to Manass River (which remains frontier between ex-rebel areas and those under full Chinese control) were repeatedly raped.

"Electoral" committee subsequently appointed by Provincial Govt to investigate this massacre and comprising Turki chairman and Chinese assistants, was met at Omin, southwest of Tacmen [*Tacheng?*], by band of armed Turkis and murdered so that facts of massacre are still undetermined, although it certainly occurred.

Ex-rebel leaders now cooperating with Chinese deprecate these acts as those of group of young extremists who have not forgotten ease with which Turkis overwhelmed Chinese forces sent against them and are correspondingly unwilling to accept the re-establishment of Chinese sovereignty in the areas which they freed from their enemy by fighting. For same reason, Turki leaders explain, it is proving very difficult to persuade younger Turki army officers to abandon either their uniforms or the Turki flag, a green banner bearing red crescent and star and Turki quotation from Koran.

Evidence of sincerity of these Turki leaders is fact that they are fully represented on 18-man Sinkiang delegation despatched to National Assembly which is now in Nanking, where they are working for realization of full Turki autonomy under Chinese sovereignty.

In this objective the delegation is representative of a large body of Turki opinion. However, there are many influential Turkis whose understanding of geographic and other limitations of eastern Turkestan is so limited that they believe they are working for an entirely independent Turki state in Sinkiang; there are also not lacking, particularly among ex-fighters in Ining, young men who are convinced Communists and ardently seek amalgamation of East Turkestan with the Soviet Union. Typical, if somewhat covert, expression of this point of view was made by Turki officer assigned by vice chairman as my escort on projected trip to Ining (which I was unable to make

because of Paxton's<sup>27</sup> arrival and necessity that plane return to Nanking next morning); this young Turki, sympathizing with me for having been ill, said: "It is the stale sickly air of Tihwa, which blows from inner China, which made you sick; in Ining we are made well by the fresh, new, clean air that blows across the border from the west."

3. Soviet relations with Sinkiang. Although it is very doubtful whether Soviets took any overt steps to precipitate 1944 revolt which resulted in present situation, they almost certainly realized that their complete withdrawal in 1942 followed by hermetic sealing of long Soviet-Sinkiang border would inevitably result in circumstances then prevailing in serious goods shortages and other economic dislocation; they also doubtless calculated on widespread resurgence of corruption which would characterize re-institution of typical Chinese regime; they realized that these factors could not but result in widespread unrest among Turki population, and some Soviets doubtless even counted on the inevitable revolution. They had only to sit back and wait. Their prestige among Turkis has been greatly enhanced by what has appeared, at least, to be scrupulous integrity with which they discharged their good offices to bring together revolting Turkis and Chinese to attempt settlement of revolt which they so clearly foresaw; they have even profited, in Turki eyes, by their refusal to open the border between Russia and rebel areas during revolt, thus allaying fears felt among some Turkis of Communist penetration.

Having acted throughout with such consummate finesse (and, from Soviet point of view, in such scrupulously good faith), the Russians are now in very favorable position vis-à-vis Sinkiang. Continuing confusion among governing Chinese other than Chang and Liu themselves, deepening economic difficulties, failure of Chinese to eradicate corruption, lack of adequate schools and hospitals, etc., etc., contrasted to Soviet regime in Western Turkestan, taken together with Soviet prestige gained through their recent actions in Sinkiang, place Soviet Govt in position where it could, if it so wished, take over actual control of ex-rebel areas through pro-Soviet younger group in Ining, whereafter that group could be manipulated to effect the extension of actual (as against avowed) Soviet control over all Sinkiang.

Whether or not Soviet Russia determines upon such a course may depend upon three factors: (1) Course of present negotiations for resumption of Sinkiang-Soviet trade; (2) direction followed by events in China; (3) world developments. If (1) trade negotiations fail; (2) Chiang Kai-shek is victorious over Chinese Communists and develops an anti-Soviet policy in China proper and (3) if world

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<sup>27</sup> John Hall Paxton, who succeeded Mr. Ward as Consul at Tihwa.



situation continues to develop in direction of world-wide division between pro-Soviet periphery plus Soviet proper and opposing coalition, then Soviet Union may well decide to exploit its present favorable position in Sinkiang to the limit, which might amount at maximum to the absorption of Sinkiang. If, however, trade negotiations were successful, coalition govt in inner China proved possible, and world-wide drift toward two worlds was checked, then it is unlikely that Soviet Union would take more than a benevolent interest in the development of an autonomous Turki regime friendly to Soviet Russia but under recognized Chinese sovereignty.

4. Central Govt and Sinkiang. In this extremely delicate situation, where Chinese sovereignty hangs by a thread, Chang Chih-chung should be given fullest, most complete support by Central Govt in Nanking. He calculates provincial budget for calendar year 1947 at 50 billion Sinkiang dollars; of this he needs 30 billion for ordinary expenses of Govt and 20 billion for reconstruction. He may be able to raise 22 billion in taxes; full amount of remaining 28 billion (i. e., 8 billion to complete sum necessary for administration of Govt and the 20 billion for reconstruction) must be allotted him by Central Govt. The urgency of this need cannot be overemphasized. Turakis have already lost faith in the whole Chinese Central Government save only in Chang Chih-chung, if they lose faith in him, or are forced to recognize that he is powerless to help them, the last hope of retaining Chinese sovereignty in Sinkiang will be lost; one more count will be chalked up against the Soviet Union, though in fact it will only have been the beneficiary of a situation which need not arise if the Central Government can be brought to act now to aid the establishment of a socially conscious government that will seek the welfare of the Turki peoples.

STUART

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893.00/12-246 : Telegram

*The Consul General at Shanghai (Davis) to the Secretary of State*

SHANGHAI, December 2, 1946—5 p. m.

[Received December 3—4 a. m.]

2378. Bayne reported on Sinkiang developments after return from Nanking last week. Apparently discussions between (reference my telegram 2338, November 27) Soviet Consul General and Chinese Governor are suspended pending reply from Moscow on Chinese request for answer to latter's proposal last year for trade monopoly. Pending any new Soviet suggestion or reply, Governor Chang requested delay return to Nanking.

New subject. Foreign Office recently received suggestion from Soviet Embassy that Russian troops be stationed near Antung on Korean border north of Yalu River to protect hydro-electric power plant. Chinese reply was to effect that Nationalist troops were already giving this protection and that Soviet action proposed was therefore unnecessary.

Sent Department, repeated Nanking as 1351.

DAVIS

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893.00/12-946 : Telegram

*The Ambassador in the Soviet Union (Smith) to the  
Secretary of State*

Moscow, December 9, 1946—6 a. m.

[Received 3:34 p. m.]

4348. We have read Ward's summary of Sinkiang situation and despatches from British Consul at Tihwa <sup>28</sup> on same subject, including one covering his visit to Ining (copies are being forwarded by pouch <sup>29</sup>).

In reading Ward's report we are struck anew by similarity between Sinkiang and Iranian Azerbaijan situations (Embassy 1850 [1890], June 15). In both Central Government was oppressive and corrupt in dealing with subject racial groups. There consequently existed ample causes for spontaneous revolt and genuine demands for autonomy. Altho Soviet army occupied Azerbaijan and not Sinkiang and tempo of developments in former has been more rapid, Soviet policy towards both appears to us to be substantially same. It is a policy of political rather than military subjugation.

In Azerbaijan genuine native discontent was surreptitiously encouraged by Soviet agents of same or related race to rebels; local elements subservient to USSR were organized to capture and retain, under concealed Soviet direction, control of insurrection; local autonomy was demanded, but it was to be an autonomy within framework of Iranian state; rebels retained control, however, over their armed forces and their tax collections. Policy in short was to maintain "correct" relations with Central Government while using Azerbaijan as one of instruments to disrupt and ultimately capture Central Government. Parenthetically it may be said such a policy seems admirably suited to situations such as exist in Iran, China, Iraq, Afghanistan, and before long India. Principal risk to such policy is that Central Government, incapable of instituting genuine sweep-

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<sup>28</sup> Walter Graham.

<sup>29</sup> Despatch No. 603, December 10, not printed.

ing reforms, takes next most effective step—as Qavam<sup>30</sup> now appears to be doing—challenging rebels in a manner designed to force USSR to show its hand. Ward's and Graham's reports reveal that many of same symptoms of Soviet policy which appeared in Azerbaijan were present in Sinkiang. Now this may be purely coincidental. But we doubt it.

We doubt it because for compelling, ideological, nationalistic and strategic reasons USSR is incapable of maintaining a benevolent neutrality towards events in Sinkiang (Embassy's 96, January 10<sup>31</sup>). It must seek ultimate control over that province, first as an "autonomous" province in Chinese Republic, later perhaps as an "autonomous" state like Mongolian People's Republic and possibly much later as an integral part of USSR like Tannu Tuva. Therefore, USSR must through its own agents and obedient local elements direct course of rebel movement towards realization of Soviet objectives. As Kremlin's Sinkiang policy appears to be geared to slow penetration and consolidation, it is better able than in Azerbaijan to conceal its activities.

Perhaps one of surest indicators of Soviet control would be identification among Turki leaders of Soviet trained personnel. They are not likely to be in conspicuous posts, excepting interior affairs, secret police and propaganda. Attitude of Turki delegation in Nanking negotiations may also give clues of Soviet direction. Finally, we venture to suggest that Department may consider it desirable, if it has not already done so, to furnish Nanking and Tihwa with several of Tabriz's very able despatches of past winter and spring analyzing Azerbaijanian object lesson.

Dept repeat to Nanking.

SMITH

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893.00/12-1846 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, December 18, 1946—10 a. m.

[Received December 18—9:20 a. m.]

2123. Reference Department's unnumbered, December 9, 11 p. m.,<sup>32</sup> and Moscow's 4348, December 9, 6 a. m.

The Sinkiang delegation to the National Assembly is composed of 18 members of whom only 3 Chinese, which includes those selected by the Chinese Governor-General Chang Chih-chung. The delega-

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<sup>30</sup> Ahmad Qavam, Iranian Prime Minister.

<sup>31</sup> Vol ix, p. 116.

<sup>32</sup> This telegram repeated No. 4348, December 9, 6 a. m., *supra*.



tion was quiet for the first few days after its arrival and finally Ahkmed Jan, Vice-Governor of the province and one of the two principal leaders of the Turki revolt and head of the East Turkistan Republic, spoke for the delegation and demanded full internal autonomy for the province and joint Turki-Chinese control of foreign affairs and national defense.

According to reports, [this] provoked an uproar in the Assembly but it is interesting to note that there was only casual press reference made on the following day and none since. It is not anticipated that there will be any further reference to it. Ward, when he was here, and some of the Turki delegates subsequently have stated that this position is supported by Chang Chih-chung himself on the grounds that matters have gone so far now that the only hope left for China to retain any kind of control or influence in Sinkiang is this proposal. The Turki delegates are frankly pessimistic over the prospects of Chinese agreement. On the basis of the known Chinese minority record, the Embassy is inclined to agree with this estimate. The Turakis, to substantiate their pessimism, point out that with the exception of one letter from the Chinese Government agreeing to consider an extension of cultural autonomy and assistance to Turki schools, the Government has so far failed even to acknowledge any Turki communications on the Sinkiang situation. The delegation claims further that their efforts to have some provision for safeguarding minorities written into the constitution have proved futile and that Government delegates, in fact, in general refuse to discuss the Sinkiang question directly with the Turki delegates but rather say that they will discuss the question among themselves and will inform the Turakis of their decision.

The minorities problem has been additionally complicated by the failure of an attempt to coordinate Mongol, Turki and Tibetan activities. Apparently the Tibetans have been agreeable to any proposal made by anyone since it seems they are not entirely sure of where they are or why they are here. Dissension, however, has arisen between the Mongols and the Turakis since each one feels that his own particular problems should be settled first. It is hardly necessary to state that the Chinese are desperate [in] exploiting this sort of division. In short, there is little or nothing so far in the visit of the Sinkiang delegates to Nanking to suggest that the drift of Sinkiang away from China is being checked.

Department please repeat to Moscow.

STUART

## ATTITUDE OF THE DEPARTMENT OF STATE TOWARD RECOGNITION OF THE INDEPENDENCE OF OUTER MONGOLIA

893.00 Mongolia/1-946 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, January 9, 1946.

[Received January 9—11:57 a. m.]

60. The National Government issued the following communiqué January 5:

"On October 20, 1945 a plebiscite was held by the people of Outer Mongolia, and Vice-Minister Lei Fa-chang of the Ministry of the Interior was sent there by the Central Government as an official observer. According to a report recently submitted by the Outer Mongolia officials in charge of the plebiscite proceedings, the result of the plebiscite has confirmed that the people of Outer Mongolia are in favor of independence. In accordance with a resolution of the Supreme National Defense Council, this Government now recognizes the independence of Outer Mongolia, and the Executive Yuan has duly directed the Ministry of the Interior to officially notify the Government of Outer Mongolia of this decision."

Sent to Department as 60, repeated to Moscow as 10.

ROBERTSON

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893.00/1-1846

*Memorandum of Conversation, by the Director of the Office of  
Far Eastern Affairs (Vincent)*

[WASHINGTON,] January 18, 1946.

Mr. Chen <sup>1</sup> telephoned to inform me that he had been advised by Chungking that the Chinese Government was considering plans for sending a representative to Outer Mongolia. He said that decision had not been reached with regard to the character of the representative; that is, whether there would be a regular diplomatic mission or something in the form of a commission. He added that the Outer Mongolian Government was sending a representative to Chungking to discuss relations between the two countries and that a decision regarding permanent representation would probably be reached during these discussions.

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<sup>1</sup> Chen Chih-mai, Counselor of the Chinese Embassy.

893.00 Mongolia/1-2346

*Memorandum by the Assistant Chief of the Division of Chinese Affairs  
(Rice) to the Chief of the Division (Drumright)*

[WASHINGTON,] January 23, 1946.

I have discussed the matter of possible US recognition of Outer Mongolia with Mr. William W. Bishop (Le),<sup>2</sup> Mr. Samuel W. Boggs (GE)<sup>3</sup> and Mr. John Carter Vincent (FE).<sup>4</sup> Their expressed views, if I understood them, are as outlined below.

Mr. Bishop considers, in view of the Chinese decision to recognize the independence of Outer Mongolia, that we should also do so. He suggests that diplomatic recognition take the form of establishment of diplomatic relations rather than that of making a statement re recognition. This would give us a better bargaining position if we are to attempt to send a diplomatic representative into Outer Mongolia.

Mr. Boggs would be interested in knowing about any concrete developments or of formulated plans in the premises but made no suggestion as to the advisability of our recognizing Outer Mongolia.

Mr. Vincent stated that he had urged on T. V. Soong<sup>5</sup> the desirability of China's making a delimitation of Outer Mongolia's borders (on Sinkiang and Inner Mongolian provinces of China) a condition-precedent for its assent to the plebiscite arrangement. Apparently T. V. Soong did not see fit to follow this advice, but we ought not to recognize Outer Mongolia until its borders with China are delimited; future troubles between the two are unlikely over Outer Mongolia's domestic administration, but they are not unlikely over the common boundary, which is most ill-defined. Aside from this consideration, recognition of Outer Mongolia by the US would be to China's advantage and could not be a cause of valid complaint by the USSR (although the USSR might conceivably cause Outer Mongolia to interpose objections to establishment of diplomatic relations). China, Mr. Vincent feels, ought to send a regular diplomatic mission rather than a mere commission to the Outer Mongolian capital.<sup>6</sup>

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<sup>2</sup> Of the Office of the Legal Adviser.

<sup>3</sup> Special Adviser on Geography.

<sup>4</sup> Director of the Office of Far Eastern Affairs.

<sup>5</sup> President of the Chinese Executive Yuan.

<sup>6</sup> Mr. Drumright commented: "My idea is that we should keep this question under active consideration, but that there is no reason to hurry into precipitate recognition at this time. In my view, we should let China go forward on its negotiations and that when the Chinese and Mongolians have exchanged diplomatic representatives—if and when they do—we can think more actively about recognition."

"I suggest that you may want to discuss the matter with Perkins. We should be present at any discussion on the question."

Mahlon F. Perkins was Foreign Service Officer with years of service in China, at this time assigned to the Department.



893.00/4-1046

*The Chargé in China (Robertson) to the Secretary of State*

No. 1257

CHUNGKING, April 10, 1946.

[Received April 24.]

The Chargé d'Affaires ad interim has the honor to refer to the Embassy's despatch no. 1130, February 16, 1946,<sup>7</sup> and to inform the Department that on February 8, 1946 a delegation from the Mongolian Peoples Republic arrived to pay a courtesy call on the Chinese Government. This delegation was composed of Su Lung Chia Pu, Vice-President of the Mongolian Peoples Republic, Lhamasurun, Vice-Minister of Foreign Affairs, and technical personnel of the mission. As a result of conversations with the Chinese Government, an exchange of notes took place on February 14 agreeing on the establishment of diplomatic relations. The party returned to Ulan Bator on February 19.

The Ministry for Foreign Affairs has made copies of the notes exchanged available to the Embassy and they are enclosed for the Department's information.<sup>8</sup> The note from the Vice-President suggests the establishment of diplomatic relations in view of recognition by the National Government of the Republic of China of the Mongolian Peoples Republic. The reply of the Chinese Foreign Minister<sup>9</sup> agrees to this suggestion. It is of interest to note that the Chinese reply consistently refers to the Government of Outer Mongolia, whereas the Mongolian note speaks of the Mongolian Peoples Republic. It is also interesting to note that the notification of Chinese recognition of independence was originally made on January 5, 1946 by the Ministry of Interior and that it was the Vice-Minister of Interior who was sent to Outer Mongolia last fall to observe the plebiscite.

During its stay in Chungking the Mongolian delegation gave several press interviews, accounts of two of which are enclosed.<sup>8</sup> It was extensively entertained by Chinese officials. A large reception in its honor was given by the Soviet Embassy, but no other contacts were made in the foreign colony. At the Soviet reception it was noted that all members of the delegation spoke excellent Russian. They seemed to be on close and friendly terms with the various officers of the Soviet Embassy and to have spent considerable time with them during their visit here. At this reception the Mongolians were cordial and friendly with all guests but conversation with them failed to elicit any remarks of interest. They had been accompanied to Chung-

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<sup>7</sup> Not printed.

<sup>8</sup> Enclosures not printed.

<sup>9</sup> Wang Shih-chieh.

king by a large group of Soviet army officers who were also present at the reception.

One officer of the Soviet Embassy told an officer of the Embassy that the Mongolians had been particularly interested in finding out from them the procedures for setting up diplomatic relations and for establishing an Embassy. From these remarks it seems apparent that the Outer Mongolians intend to rely largely on Soviet advice in such matters.

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501.AA/7-1346

*Memorandum of Telephone Conversation, by the Chief of the Division  
of Chinese Affairs (Drumright)*

[WASHINGTON,] July 13, 1946.

Dr. Tan <sup>10</sup> called by telephone today and, referring to an oral inquiry made to him sometime ago by Mr. Drumright, said that he wished to inform the Department of State of the Chinese attitude toward the application of the Mongolian People's Republic for admission to the United Nations.

Dr. Tan said that, having recognized the Mongolian People's Republic, the Chinese Government does not wish to interpose objection to its admission to the United Nations. Dr. Tan went on to say, however, that the Chinese Government does not feel that it is in a position to work for or to support the Mongolian People's Republic's admission to the United Nations. Dr. Tan additionally remarked, apparently by way of amplification, that while the Chinese Government is not disposed to raise objection to the admission of the Mongolian People's Republic to the United Nations, the Government of China does not feel that the "present moment is opportune" for China to seek support for the MPR's admission to the United Nations.

Mr. Drumright thanked Dr. Tan for his courtesy in calling about the matter.

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<sup>10</sup> Tan Shao-hua, Chinese Minister.

NEGOTIATION OF TREATY OF FRIENDSHIP, COMMERCE  
AND NAVIGATION BETWEEN THE UNITED STATES  
AND CHINA, SIGNED AT NANKING, NOVEMBER 4, 1946

[For previous correspondence, see *Foreign Relations*, 1945, Volume VII, pages 1258 ff. For text of treaty and protocol between the United States and China, signed at Nanking, November 4, 1946, see Department of State Treaties and Other International Acts Series No. 1871, or 63 Stat. (pt. 2) 1299. Ratification was advised by the Senate on June 2, 1948, with reservation and understandings. Ratifications were exchanged and the treaty entered into effect on November 30, 1948. For Department press release on the treaty, see Department of State *Bulletin*, November 10, 1946, page 866. Most of the correspondence related to the final wording of this treaty can be found in the files of the Department of State under 711.932.]

1227



NEGOTIATION OF CIVIL AIR TRANSPORT AGREEMENT  
BETWEEN THE UNITED STATES AND CHINA, SIGNED  
AT NANKING, DECEMBER 20, 1946

800.796/7-2546 : Circular Telegram

*The Secretary of State to Certain Diplomatic Officers* <sup>1</sup>

WASHINGTON, July 25, 1946.

Please address following note to Minister for Foreign Affairs country to which you are accredited :

"I have the honor to refer to the International Air Transport Agreement <sup>2</sup> formulated at the International Civil Aviation Conference at Chicago on December 7, 1944, which was accepted by the Government of the United States of America with a reservation on February 8, 1945.

"I am now instructed to inform the Government of . . . . . that on July 25, 1946 the Government of the United States of America gave notice of its denunciation of that Agreement in accordance with the provisions of Article V thereof and that the Agreement will accordingly cease to be in force with respect to the United States of America on July 25, 1947." <sup>3</sup>

BYRNES

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800.796/8-146 : Circular Telegram

*The Acting Secretary of State to Certain Diplomatic Officers* <sup>4</sup>

WASHINGTON, August 1, 1946.

In view inquiries resulting from Depcirtel July 25 re this Govts denunciation International Air Transport Agreement, you are authorized furnish additional following background information to appropriate authorities.

Decision US to withdraw from this Agreement was based on failure of most nations principally concerned with operation and development of air transport services to accept this particular document, together with dissatisfaction with it as reflected at meeting Assembly of Pro-

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<sup>1</sup> Sent to the Diplomatic Officers at 53 different posts.

<sup>2</sup> Department of State Executive Agreement Series (E.A.S.) No. 488, or 59 Stat. (pt. 2) 1701.

<sup>3</sup> For press release of July 25 regarding U. S. withdrawal from Air Transport Agreement, see Department of State *Bulletin*, August 4, 1946, p. 236.

<sup>4</sup> Sent to the Diplomatic Officers at 53 different posts.

visional International Civil Aviation Organization [PICAO] held at Montreal.<sup>5</sup> It is therefore opinion US that agreement cannot be relied upon as effective medium for establishment of international air routes for operation by US airlines.

At same time, this Govt still adheres firmly to Fifth Freedom principle,<sup>6</sup> even though it is achieved through bilateral rather than multi-lateral approach. All 18 bilateral arrangements concluded by US with other countries since Chicago Aviation Conference provide for such Fifth Freedom traffic, and this Govt will continue to seek to have this principle incorporated in bilateral air arrangements with additional countries.

ACHESON

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711.9327/8-246 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, August 2, 1946—9 a. m.

[Received August 2—7:40 a. m.]

1240. During course of conversation Vice Minister for Foreign Affairs<sup>7</sup> referred to Embassy's note based on Deptel 302, July 29<sup>8</sup> announcing renunciation of air transport agreement. Dr. Liu Chieh had been a delegate to Chicago meeting and indicated that Chinese delegation, under instructions from its Government, had followed there the US lead. He went on to say that his Government was now attempting to formulate a policy of its own with respect to civil aviation and asked for background information respecting this act of denunciation and our current general policy.

Dr. Liu Chieh said that China still desired to work in consonance with US on aviation matters and told me in confidence that British had recently presented a draft bilateral agreement. He recalled that at Chicago there had been mailed [*sic*] out a standard form of agreement<sup>9</sup> and he asked for copy of printed pamphlet entitled *Interna-*

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<sup>5</sup> The first annual meeting of PICAO was held at Montreal, May 21-June 15, 1946.

<sup>6</sup> The International Air Transport Agreement provided for the grant of the "five freedoms" of the air by each contracting state to other contracting states. The Fifth Freedom reads as follows: "The privilege to take on passengers, mail and cargo destined for territory of any other contracting State and the privilege to put down passengers, mail and cargo coming from any such territory."

<sup>7</sup> Liu Chieh.

<sup>8</sup> See telegram No. 578, *infra*.

<sup>9</sup> For text of form of standard agreement for provisional air routes, see Department of State Conference Series No. 64: *International Civil Aviation Conference, Chicago, Illinois, November 1 to December 7, 1944, Final Act and Related Documents*, p. 39.

tion[al] *Aviation Agreement*,<sup>10</sup> the FonOff having lost theirs. This Embassy has supplied [it]. Dr. Liu Chieh inferred that Chinese Government would be willing to negotiate an agreement with the US but at same time emphasized embarrassment which a most-favored-nation clause would cause them in terms of Russia; on other hand Russia had not been party to agreements reached in Chicago.

Embassy would appreciate receiving as soon as possible information to be passed on to Vice Minister.

Has Dept considered appointment of a civil air attaché? Amount of current work and future importance of China to US in aviation calls for one.

STUART

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711.9327/8-246 : Telegram

*The Acting Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, August 9, 1946—4 p. m.

578. Dept unable identify reference your 1240 Aug 2 to Deptel 302 July 29 re denunciation air transport agreement. Depcirtel July 25 instructing Missions to give appropriate notice this denunciation was followed by Depcirtel Aug 1 giving additional background info which Dept hopes will satisfy Dr. Liu Chieh.

Dept and CAB<sup>11</sup> anxious conclude bilateral air transport agreement with China soonest possible. Bolling Powell of Depts Office of Transport and Communications Policy scheduled arrive Nanking via Manila about Aug 13 for purpose assisting Emb in such negotiations. He will travel same plane as representatives FLC<sup>12</sup> and War Dept who are to arrange settlement surplus and Lend Lease matters.<sup>13</sup> While latter negotiations will not necessarily be linked with air transport agreement, it is believed concurrent discussions both matters might serve useful purpose.

Powell bringing copy CAB's recent Pacific route decision re proposed US airlines to serve China, as well as copies US bilateral agreements with UK, Belgium, Egypt, and Greece;<sup>14</sup> also copy route annex to form part proposed agreement with China.

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<sup>10</sup> For text of convention between the United States of America and other Governments, Formulated at Chicago December 7, 1944, see Department of State Treaties and Other International Acts Series (T.I.A.S.), No. 1591, or 61 Stat. (pt. 2) 1180.

<sup>11</sup> Civil Aeronautics Board.

<sup>12</sup> Foreign Liquidation Commissioner.

<sup>13</sup> See pp. 1033 ff.

<sup>14</sup> United Kingdom, February 11, 1946, T.I.A.S. No. 1507, or 60 Stat. (pt. 2) 1499; Belgium, April 5, 1946, T.I.A.S. No. 1515, or 60 Stat. (pt. 2) 1585; Egypt, June 15, 1946, T.I.A.S. No. 1727, or 61 Stat. (pt. 4) 3825; Greece, March 27, 1946, T.I.A.S. No. 1626, or 61 Stat. (pt. 3) 2937.



Since TWA<sup>15</sup> and Northwest<sup>16</sup> plan connection at Shanghai, description US route one in Annex carried by Powell should be revised so latter part would read “. . .<sup>17</sup> Nanking and China to the Philippine Islands and beyond, as well as connecting at Shanghai with Route 3 described below.”

Upon Powell's arrival you are requested address note to Chinese Govt stating US desire conclude bilateral air transport agreement at earliest opportunity, with following additional info. US Govt suggests so-called standard clauses formulated at Chicago Conference as basis for this agreement, such form having been used by US in concluding bilaterals with number of countries (examples are Ireland, Scandinavian countries, Spain, Portugal, Switzerland, Turkey and Czechoslovakia).<sup>18</sup> However our bilateral agreement with Britain signed at Bermuda incorporated provisions additional to original Chicago form, some of which were to cover special situations existing between US and UK and which may not be pertinent to US-China agreement. Our bilaterals with France<sup>19</sup> and Belgium follow along Bermuda lines; those with Egypt and Greece based on original Chicago form but with certain Bermuda principles and provisions added in Annex. Dept will be pleased consider inclusion pertinent additional provisions of Bermuda Agreement in formulating bilateral agreement with China. Copies of agreements carried by Powell with foregoing comments may be furnished Chinese Govt for study. (End of info to be included in note.)

Re second para your 1240 Aug 2 you should emphasize to Dr. Liu Chieh that bilateral agreements concluded by us offer most-favored-nation treatment only with respect such matters as those covered, for example, in article 3 of Egyptian agreement. We do not regard bilateral grant of air rights to one country as obligating us grant similar rights to another country.

Language corresponding to article 6 Egyptian agreement should be revised in Chinese agreement; Powell bringing new text.

Francis G. Jarvis of Depts Aviation Division has been assigned Civil Air Attaché China and expects arrive shortly after Sept 1.

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<sup>15</sup> Trans-World Airlines.

<sup>16</sup> Northwest Airlines.

<sup>17</sup> Omission indicated in the original telegram.

<sup>18</sup> Ireland, February 3, 1945, E. A. S. No. 460, or 59 Stat. (pt. 2) 1402; Denmark, December 16, 1944, E. A. S. No. 430, or 58 Stat. (pt. 2) 1458; Norway, October 6, 1945, E. A. S. No. 482, or 59 Stat. (pt. 2) 1658; Sweden, December 16, 1944, E. A. S. No. 431, or 58 Stat. (pt. 2) 1466; Spain, December 2, 1944, E. A. S. No. 432, or 58 Stat. (pt. 2) 1473; Portugal, December 6, 1945, E. A. S. No. 500, or 59 Stat. (pt. 2) 1846; Switzerland, August 3, 1945, T. I. A. S. No. 1576, or 60 Stat. (pt. 2) 1935; Turkey, February 12, 1946, T. I. A. S. No. 1538, or 61 Stat. (pt. 3) 2285; and Czechoslovakia, January 3, 1946, T. I. A. S. No. 1560, or 60 Stat. (pt. 2) 1917.

<sup>19</sup> Signed March 27, 1946, T.I.A.S. No. 1679, or 61 Stat. (pt. 4) 3445.

Telegraph progress discussions on air transport agreement. Dept requires week's notice before conclusion so as obtain Full Power authorizing Ambassador to sign.

ACHESON

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711.9327/8-1846 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, August 18, 1946—1 p. m.

[Received August 18—4:45 a. m.]

1332. Bilateral air transport agreement. ReDeptel 578, August 9. Butterworth<sup>20</sup> informally indicated to Dr. Liu Chieh, Vice Minister Foreign Affairs, that Embassy expects next week to present draft air transport agreement for consideration Chinese Government and requested his assistance in expediting appointment of Chinese negotiators in order that discussions may be undertaken as promptly as possible. Upon Powell's arrival Nanking August 19, Embassy will transmit note outlined in Deptel 578, August 9 and will commence negotiations as soon thereafter as possible. After first meetings we will be in better position to estimate time required for conclusion these negotiations. We call attention, however, to fact that proposed agreement will probably serve as model for subsequent Sino air arrangements, and that it will only be concluded after careful deliberation and consideration by Chinese Government.

Appointment and early arrival of Civil Air Attaché is welcomed. Sent Department; repeated Shanghai as 532.

STUART

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811.79693/8-3046 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, August 30, 1946—1 p. m.

[Received August 30—6 a. m.]

1404. For Norton TRC<sup>21</sup> from Powell. Negotiations with Chinese officials reveal their concern over large number of international traffic points requested within Chinese territory. They have expressed fear that the granting of the 9 traffic points requested would seriously curtail the feeder line business of Chinese national airlines between other points in China and international airports. They have indicated that negotiations would be simplified if the number of international traffic points in China are reduced to about 4, such as Tientsin,

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<sup>20</sup> W. Walton Butterworth, Jr., Minister-Counselor of Embassy in China.

<sup>21</sup> Garrison Norton, Director of the Office of Transport and Communications.

Shanghai, Canton and Kunming. They have also indicated that Chinese interest might require that each US route enjoy only one of these traffic points in China and request advice as to how far Dept and CAB are willing to go in compromising this point. Vice Minister for Foreign Affairs has also confidentially informed Embassy that mention of traffic points in Manchuria would be very embarrassing in view of Chinese reluctance to allow Soviets to operate in that area.

Chinese representatives have also expressed fear that provision in proposed routes now that "US carriers designated to serve routes 2 and 3 may at their option serve Hong Kong from and to Shanghai" would result in the operation of a shuttle service between Shanghai and Hong Kong offering serious competition to Chinese national carriers. I have advised that this provision would not authorize the operation of a shuttle service by US carriers between these points and that purpose of this provision is to authorize US carriers flying proposed routes 2 and 3 to land for traffic purposes at Hong Kong instead of Canton.

Formal Chinese counterproposals have not been offered as yet but these two points have been raised informally in our discussions.

We are advised that formal Chinese counterproposals will be forwarded to the Executive Yuan for final approval before being offered. Hope to conclude negotiations during first week in September and to return with Mr. Petersen's <sup>22</sup> party. [Powell.]

Dept repeat reply Shanghai.

STUART

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811.79693/8-3046 : Telegram

*The Acting Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, September 4, 1946—3 p. m.

708. For attention Powell. Proposed air agreement with China discussed with CAB (Your 1404 Aug 30). Dept and CAB not convinced necessity omitting all traffic points in Manchuria but rather than sacrifice agreement would be willing have route 1 read: "US over Pacific route to Mukden, Dairen, Tientsin, Nanking, Shanghai and beyond." This omits Harbin, Peiping and Hangchow, with further possibility we may not be able get into Dairen now.

In return for giving up Harbin and possibly Dairen this time, we would want Chinese assurance (probably through separate exchange notes) we could reopen matter future suitable opportunity, and in any event US air services could get similar rights at Harbin and Dairen whenever such were accorded to air services of any third country.

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<sup>22</sup> Howard C. Petersen, Assistant Secretary of War.



CAB still wants retain privilege re our carriers on routes 2 and 3 having option serve Hong Kong or Canton, and if Chinese agree to this we should revise final provision concerning such optional privileges to omit "from and to Shanghai" to avoid possible ambiguity. However rather than sacrifice agreement CAB willing return to original Pacific case route pattern which would put Hong Kong on route 2 and Canton on route 3 without optional interchange.

Introductory para our routes should clearly state "via intermediate points in both directions".

There should be final clause in US section of route annex reading "On each of the above routes the airlines authorized for such route may operate non-stop flights between any of the points on such route, omitting stops at one or more of the other points."

This is for primary purpose permitting direct Tokyo-Shanghai service and also Tokyo-Seoul-Shanghai service on route 1 at same time permitting other schedules via Mukden, Tientsin, Nanking on inland route.

This Govt unable accept general limitation each US route to only one traffic point in China. However, if Chinese insist on routes 2 and 3 serving Hong Kong and Canton separately and respectively, route 2 would serve only Shanghai (in China) and on same basis route 3 would serve only Canton and Shanghai. Route 1 would serve only Shanghai on direct service from Tokyo terminating in Manila, but the inland service from Tokyo via Mukden, Tientsin, etc. would of course serve several Chinese cities. We do not desire serve Kunming (mentioned Your 1404 Aug 30) but if we confined proposed inland route via Mukden, Dairen, Tientsin and Nanking to one stop, such route would have little value.

Your 1404 Aug 30 indicates prospects early conclusion agreement. Before authority can be given for Ambassador to sign, Dept requires full text for prior approval. You should therefore telegraph references to and sequence of articles and provisions in Chicago standard form and Bermuda or Belgian agreement which Chinese have already accepted and also any additional articles when they are tentatively agreed upon, as well as revised text US route annex and Chinese route annex.

CLAYTON

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811.79693/9-746 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, September 7, 1946—2 p. m.

[Received 3:07 p. m.]

1436. Powell to Norton TRC. Supplementing information contained Embtel 1404, August 30, re Civil Aviation Agreement, further

negotiations with Minister of Communications <sup>23</sup> and staff have raised following points:

1. Chinese Govt wants agreement to run for stipulated term of years rather than indefinitely and to provide for cancellation notice of only 6 months. Have advised we would not agree 6 months' notice because it is too short in view of expense and preparation our carriers will be put to in effecting operation of this service. Twelve months notice of termination with 3 or 4 years stipulated term of agreement would be innocuous, and Chinese Govt strongly feels it will be in better position in handling requests of other powers for aviation rights in China. I recommend its acceptance.

2. Minister of Communications was desirous of informally linking Air Transport Agreement with agreement to extend to China loan for improvement the airfields.<sup>24</sup> Have advised him that if China wished to apply for such a loan it would receive due consideration by our Government under its policies relating to such matters, but we would not link such loan agreement to this Air Transport Agreement. Believe we will carry the point.

3. Chinese Govt has reiterated its desire to reduce number of traffic points in China and allow only one traffic point on each of the three American routes. Have advised that while there may be some compromise on the former, I would not recommend favorable consideration of the latter. Frequency limitations were then suggested but I took the position they were equally unacceptable. I recommend we settle for Shanghai, Tientsin, Canton and Mukden with proviso that we will also have such other points as may be agreed upon from time to time. This proviso would enable us to get approval for additional traffic points in future without formally amending agreement. Peiping should be authorized temporarily in a letter so as to allow immediate operations by Peiping-Tientsin area, since landing facilities at Tientsin are now inadequate. Chinese negotiators have agreed to recommend acceptance this proviso. They have also agreed to authorize temporary landing rights at Peiping in a letter. It is going to be most difficult, however, to get Mukden as a traffic point at this time because of unsettled political situation in that area and Russian pressure. Negotiators feel it might be possible to authorize it in future. However, I recommend we insist on it since it is now possible to fly to Mukden. Do not think we should hold out for Dairen and Harbin in view of fact that control of those points would make it impossible to fly there even if they were included in agreement. In view of fact that Nanking is only 1 hour from Shanghai it does

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<sup>23</sup> Gen. Yu Ta-wei.

<sup>24</sup> See memorandum OSE 610, November 30, by General of the Army George C. Marshall, Special Representative of President Truman in China, p. 1027.

not seem worthwhile to risk agreement on this point, or on the inland point of Hankow, particularly since we are about to succeed in obtaining concise, clear and clean-cut agreement instead of a Bermuda ambiguity. Have made every effort to steer a course around the Bermuda provisions which have been raised during negotiations.

4. Chinese negotiations now insist upon deletion of paragraph of annex providing that in servicing routes two and three US carriers may at their option serve Hong Kong. Previously they objected to this as authorizing shuttle service and were assured that it would not. It is now apparent that their objection goes deeper and is related to British sovereignty at Hong Kong. They feel their position on this political issue would be weakened if this agreement should expressly recognize this traffic to and from Hong Kong, thus classifying it as international traffic and not cabotage. I explained that this agreement plus our United Kingdom agreement would authorize Fifth Freedom traffic between Hong Kong and traffic points in China without it being expressly authorized in Chinese agreement so long as Hong Kong remains British territory. They understand this but simply do not want the agreement to expressly so provide. I recommend deletion of this troublesome paragraph from the agreement and covering it in the proposed letter hereinafter set forth.

5. As negotiations now stand we have reached informal agreement subject to approval of Govts as follows:

(a) Body of agreement to be standard form of agreement for provisional air routes contained in final act of Chicago Conference with following amendment:

(1) Amendment 7 to read: Each contracting party reserves the right to withhold or revoke a certificate or permit to an airline of another state in any case where it is not satisfied that substantial ownership and effective control are vested in nationals of such other party to this agreement, or in case of failure of an airline to comply with the laws of the state over which it operated, as described in article VI hereof, or to perform its obligations under this agreement.

(2) Include the following as article IX: Except as otherwise provided in this agreement or in its annex, any dispute between the contracting parties relating to the interpretation or application of this agreement or its annex which cannot be settled through consultation shall be referred for an advisory report to the Interim Council of the Provisional International Civil Aviation Organization (in accordance with the provisions of article III, section 6 (8) of the Interim Agreement on International Civil Aviation signed at Chicago on December 7, 1944<sup>25</sup> or its successor.

(3) Add the following to article X: In the event either of the contracting parties considers it desirable to modify the routes or conditions set forth in the attached annex, it may request consultation between the competent aeronautical authorities of both contracting

<sup>25</sup> E.A.S. No. 469, or 59 Stat. (pt. 2) 1516.



parties, such consultation to begin within a period of 60 days from the date of the request. When these authorities mutually agree on new or revised conditions affecting the annex, their recommendations on the matter will come into effect after they have been confirmed by an exchange of diplomatic notes.

(4) Include the following as article XI: This agreement shall continue in force for a period of 4 years or until such time as it may be amended, or superseded by a general multilateral air convention. Upon the expiration of this agreement its renewal for additional periods of time to be agreed upon may be effected by an exchange of diplomatic notes. It is understood and agreed, however, that this agreement may be terminated by either party upon giving 1 year's notice to the other contracting party. Such notice may be given at any time after a period of 2 months to allow for consultation between the contracting party giving notice and the contracting parties served by the routes.

(5) Incorporate the following route annex: Airlines of the US authorized under the present agreement are accorded rights of transit and non-traffic stop in Chinese territory, as well as the right to pick up and discharge international traffic in passengers, cargo and mail at Shanghai, Tientsin and Canton (Mukden not yet agreed to) as well as at such additional points as may be agreed upon from time to time on the following routes via intermediate points, in both directions:

(1) The US over a Pacific route to (Mukden not yet agreed to) Tientsin and Shanghai and thence to the Philippine Islands and beyond, as well as connecting at Shanghai with route No. 3 described below.

(2) The US over a Pacific route to Shanghai and Canton and beyond.

(3) The US over an Atlantic route via intermediate points in Europe, Africa, the Near East, India, Burma and Indo-China to Canton and Shanghai and beyond.

On each of the above routes the airline authorized to operate such route may operate non-stop flights between any of the points on such route omitting stops at one or more of the other points on such route.

(b) Airlines of China authorized under the present agreement are accorded rights of transit and non-traffic stop in the territory of the US, as well as the right to pick up and discharge international traffic in passengers, cargo and mail (traffic points not yet formally requested) on the following routes, via intermediate points in both directions.

(1) China over a Pacific route via the intermediate points of (northern Pacific route but not yet specifically defined).

(2) China over a Pacific route via the intermediate points of Guam, Wake, and Honolulu to San Francisco.

(3) China over an Atlantic route via intermediate points in Indo-China, Burma, India, Near East, Africa and Europe to New York.

On each of the above routes the airline authorized to operate such route may operate non-stop flights between any of the points on such route omitting stops at one or more of the other points on such route. (This will constitute entire route annex.)

(c) Have following letter delivered on signing of agreement:

Excellency: I have the honor to refer to the Air Transport Agreement between the Governments of the United States and China which has been signed today. The Government of China, appreciating the viewpoint of the Government of the United States with respect to the necessity for the use of airport facilities at Peiping in order to presently serve the traffic point of Tientsin designated in the aforesaid agreement, assures the Government of the United States that until such time as the airport facilities at Tientsin are enlarged and improved to the extent necessary to accommodate aircraft flying the international route serving Tientsin, there will be no objection on the part of the Government of China to the aircraft serving this route landing for international traffic purposes at Peiping. It is understood and agreed, however, that upon the completion of the necessary enlargement and improvements of the airport at Tientsin, the airport at Peiping will no longer be used for international traffic purposes by American aircraft flying this route.

The Government of China also assures the Government of the United States that there will be no objection to United States carriers designated to serve routes two and three, serving Hong Kong at their option instead of Canton.

The Government of China appreciates the viewpoint of the Government of the United States in desiring that its carriers serve additional international traffic points in Manchuria. The Government of China assures the Government of the United States that it will reopen the question of such service at such time as it becomes feasible, and that United States carriers will be authorized to render such service at the same time that carriers of any third country are so authorized.

I avail myself of this opportunity to renew to Your Excellency, the assurance of my very high consideration.

Please reply immediately and give final instructions on route compromise which seems to be only point now at issue and a meeting is scheduled for Tuesday. [Powell.]

STUART

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811.79693/8-3046 : Telegram

*The Acting Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, September 9, 1946—noon.

727. For attention Powell. Panam<sup>26</sup> just advises that airport Hong Kong inadequate for larger planes and company doubts if it can serve Hong Kong in foreseeable future. You will therefore disregard that part Deptel 708 Sept 4 which suggests putting Hong Kong on route 2 and Canton on route 3 without optional interchange, endeavoring to retain original language granting optional privilege at Canton and Hong Kong on both routes.

Sent to Nanking; repeated to Shanghai as Deptel 1603.

CLAYTON

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<sup>26</sup> Pan American World Airways System.

711.9327/9-946 : Telegram

*The Acting Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, September 9, 1946—7 p. m.

732. For attention Powell. Provisions of tentative agreement generally satisfactory Urtel 1436 Sept 7 subject to following comments:

Your numbered para 5 (a) says body of agreement to be standard form contained Chicago Final Act. This language was drafted on multilateral basis and it is assumed you have converted it to bilateral language such as used in our pre-Bermuda bilaterals with Scandinavian countries, Ireland, etc. Also presume there will be preamble similar to aforementioned bilaterals. Suggest deletion of para corresponding 2B of Chicago form since it is unnecessary and somewhat contradictory to latter part Chicago para 1. Para 3 Chicago form believed unnecessary in Chinese bilateral, on assumption China had not previously granted rights to any US airlines. In event Chicago para 3 deleted, presume subsequent paras (articles) would be renumbered. Confirm foregoing suggestions. It would be helpful if you could refer to present sequence and exactness of articles by comparison with one of pre-Bermuda bilaterals which you have with you.

CAB prefers Article 7 read as follows:

“Substantial ownership and effective control of airlines of each contracting party authorized under this agreement shall be vested in nationals of that party. Each contracting party reserves the right to withhold or revoke the certificate or permit of any airline of the other party in case of failure of such airline to comply with the laws of the State over which it operates, as described in Article 6 hereof, or otherwise to fulfill the conditions under which the rights are granted in accordance with this agreement and its annex.”

Article 9 acceptable.

Article 10 acceptable.

Re article 11 CAB prefers agreement remain in effect indefinitely even if terminable on 6 months notice. However if Chinese insist on 4 year period, first sentence should read “This agreement shall continue in force for a period of 4 years, or until it may be superseded in order to conform with a general multilateral air transport convention which may enter into force in relation to both contracting parties.” Last part last sentence Article 11 should be revised to read: “. . .<sup>27</sup> to allow for consultation between the contracting parties.”

New article 12 should read:

“This agreement, including the provisions of the Annex hereto, will come into force on the day it is signed.

Done at Nanking this . . . . . day of . . . . . 1946 in duplicate in the English and Chinese languages, each of which shall be of equal authenticity.

<sup>27</sup> Omission indicated in the original.



For the Government of the United States of America :  
For the Government of the Republic of China :"

Foregoing assumes Chinese Govt will want one copy in Chinese. If not, above sentence should terminate after "in duplicate."

Re US route 1, Dept and CAB still highly desirous getting Mukden. CAB also desires Nanking included in route 1 as well as continuing privilege of serving Peiping as alternate to Tientsin on certain schedules. Dept therefore desires you make additional try for Mukden, Nanking and Peiping but as last resort would not insist if agreement sacrificed, and provided Chinese letter includes para re Manchuria.

Route 2 satisfactory. On route 3 CAB suggests you try for Hankow as alternate to Canton so that TWA could serve Hankow on certain schedules and Canton on others.

Commercial stops described para A Annex would of course be revised to include whatever additional stops granted by Chinese. Be sure comma appears before "on the following routes" in both paras A and B of route Annex.

Subject to further info on route 1, Chinese routes 1, 2 and 3 approved by CAB, which is also willing add Los Angeles as alternate to San Francisco on Chinese route 2 in exchange for our desire serve Peiping and Hankow as alternates.

Proposed letter from Chinese to be presented on signing of agreement may of course need revision in light of foregoing comments. Please send revised text based on your further discussions with Chinese on above points. Second para Chinese letter satisfactory, particularly since future use Hong Kong doubtful owing to inadequate airport.

Can Chinese letter be made public in connection with agreement?

Send future messages this subject in Confidential O.

CLAYTON

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711.9327/9-1246 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, September 12, 1946—5 p. m.

[Received September 13—3 : 25 a. m.]

1471. Powell to Norton. Was aware of Hong Kong airport situation as result of investigation made here. Had made necessary changes in language in standard form of Air Transport Agreement to constitute it a bilateral contract with effective date provision and language provision before submitting it to Chinese Government. Preamble like that in agreement with Iceland<sup>28</sup> had been included.

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<sup>28</sup> Signed at Reykjavik, January 27, 1945, E.A.S. No. 463, or 59 Stat. (pt. 2) 1464.

Negotiations completed today with understanding that proposed agreement would be submitted to Executive Yuan and to the Department for final approval. The Yuan has already informally approved except for inclusion of Mukden and certain other minor points. I strongly advise no further attempt to get additional traffic points or to make any other changes. Chinese will not agree to indefinite term and regard the 4-year provision indispensable. They will not agree to additional traffic points for reasons of record stated in letter, but actually because they are seeking to protect CNAC<sup>29</sup> which is said to be controlled by T. V. Soong, President of Executive Yuan, and CATC<sup>30</sup> which is said to be controlled by political group. Chinese are not interested in trading additional points in China for additional points in United States because they recognize it will be some time in the future before they are able to fly these international routes whereas they are presently able to fly in China. I am convinced that further effort would be fruitless and would open the door for them to insist on the following points which they strongly pressed at final session:

(a) Rate provision which would require rates of Chinese carriers and American carriers to be equal over the same routes so as to eliminate competition. It was only after extended argument that I was able to persuade them not to insist on this provision.

(b) A loan agreement which would be related to Air Transport Agreement whereby United States would advance large sums for improvement of Chinese airports. The Minister of Commerce [*Communications?*] insisted on this personally. In addition to position previously taken on this point I presented them with a study showing the amount of items included in recent surplus property sale<sup>31</sup> which could be used by China for this purpose. I hope they will not insist further on this point.

(c) Route 2 of the Chinese was presented and contained traffic stops at Seattle, Chicago, Detroit and New York. I took position that this would be completely out of question with only Canton, Shanghai and Tientsin being granted to United States. After an extended deadlocked argument we finally agreed to trade on basis of following route annex and letter.

*Annex.*

"A. Airlines of the United States authorized under the present agreement are accorded rights of transit and nontraffic stop in Chinese

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<sup>29</sup> China National Aviation Corporation.

<sup>30</sup> Central Air Transport Corporation.

<sup>31</sup> For text of agreement between the United States and China for the sale of certain surplus war property ("Bulk Sale to China"), signed at Shanghai, August 30, 1946, see Department of State Publication No. 2655, *Report to Congress on Foreign Surplus Property Disposal*, October 1946, p. 40.

territory, as well as the right to pick up and discharge international traffic in passengers, cargo and mail at Mukden, Shanghai, Tientsin, and Canton, as well as at such additional points as may be agreed upon from time to time, on the following routes, via intermediate points in both directions:

1. The United States over a Pacific route to Mukden, Tientsin, and Shanghai and thence to the Philippine Islands and beyond, as well as connecting at Shanghai with route No. 3 described below.
2. The United States over a Pacific route to Shanghai and Canton and beyond.
3. The United States over an Atlantic route via intermediate points in Europe, Africa, the Near East, India, Burma and Indo-China to Canton and Shanghai and beyond.

On each of the above routes the airline authorized to operate such route may operate non-stop flights between any of the points on such route omitting stops at one or more of the other points on such route.

B. Airlines of China authorized under the present agreement are accorded rights of transit and non-traffic stop in the territory of the United States, as well as the right to pick up and discharge international traffic in passengers, cargo and mail at San Francisco, Seattle, New York, and Honolulu, on the following routes, via intermediate points in both directions:

1. China over a Pacific route via Tokyo, Kurile Islands, the Aleutian Islands, and Alaska to Seattle and San Francisco.
2. China over a Pacific route via the intermediate points of Manila, Guam, Wake, and Honolulu to San Francisco.
3. China over an Atlantic route via intermediate points in Indo-China, Burma, India, Near East, Africa and Europe to New York.

Of each of the above routes the airline authorized to operate such a route may operate non-stop flights between any of the points on such route omitting stops at one or more of the other points on such route."

*Letter:*

"I have the honor to refer to the Air Transport Agreement between the Governments of the United States and China which has been signed today.

"The Government of China, appreciating the viewpoint of the Government of the United States with respect to the necessity for the use of airport facilities at Peiping in order to presently serve the traffic point of Tientsin designated in the aforesaid agreement, assures the Government of the United States that until such time as the airport facilities at Tientsin are enlarged and improved to the extent necessary to accommodate aircraft flying the international route serving Tientsin, there will be no objection on the part of the Government of China to the aircraft serving this route landing for international traffic purposes at Peiping. It is understood and agreed, however, that upon the completion of the necessary enlargement and improve-



ments of the airport at Tientsin, the airport at Peiping will no longer be used for international traffic purposes by American aircraft flying this route.

"The Government of China also assures the Government of the United States that there will be no objection to United States carriers, designated to serve routes 2 and 3, serving Hong Kong instead of Canton; at their option provided, however, no shuttle service will be operated by the designated United States carriers between Hong Kong and any one of the points in Chinese territory mentioned in the annex attached to the Air Transport Agreement.

"The Government of China appreciates the viewpoint of the Government of the United States in desiring that its carriers serve additional international traffic points in China. However, in view of the present unsettled situation in certain areas of China it is not deemed practicable that such additional international traffic points be granted at this time. In addition, lack of adequate airport, customs and immigration facilities make it impossible for the Government of China to designate certain additional international traffic points. The Government of China assures the Government of the United States that it will re-open the question of such additional service at such time as it becomes feasible, and that in any event United States carriers will be authorized to render such services as soon as the carriers of any third country are so authorized.

"The Government of China wishes to emphasize, in order that there be no misunderstanding, that because of the unsettled situation in Manchuria it may become necessary at any time to invoke the provisions of the final proviso of Article 2 (A) of the agreement in connection with the proposed service to Mukden.

"I avail myself etc. etc."

Have advised Chinese representatives that article 3 may be omitted from agreement insofar as we are concerned and recommended its omission if they had no specific reason for retaining it; that we recommend the further amendment of article 7 in accord with your radio in interest of clarity but would not insist on it if they preferred it in the first amended form submitted; and in interest of clarity article 11 should be further amended as you suggested. Recommend you authorize approval regardless of Chinese action on these three minor amendments. Also recommend we be authorized to accept any amendments to proposed letter which do not prejudice the points we seek to establish thereby. Indications are that Chinese do not wish to publish letter, but will make certain of this point before signing.

On signing of this agreement, which barring complications will be effected the first of next week, I plan to return to Manila to conclude agreement there if it has not already been signed. This would make my estimated time of arrival in Washington about September 28-30. What are your plans for me after that? [Powell.]

Sent Department 1471; Department please repeat reply to Shanghai.

STUART

711.9327/9-1446 : Telegram

*The Acting Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, September 14, 1946—3 p. m.

754. For attention Powell. Present description US route 2 raises question re Panam's mid-Pacific route via Manila, in view of specific mention Canton and inadequacy Hong Kong airport. Rather than depend on liberal interpretation "and beyond", believe it essential to remove any doubt Panam's right to carry traffic between Shanghai-Canton and mid-Pacific points including Manila. Therefore request third para Chinese letter include proviso to effect that right of carrier on route 2 to serve Canton instead of Hong Kong (or vice versa) also includes right to connect with its mid-Pacific service at Canton, at least until Hong Kong airport becomes operable for larger planes.

Also request that first sentence third para Chinese letter be changed to read ". . .<sup>32</sup> US carriers designated to serve routes 2 and 3 serving Hong Kong instead of Canton at option of US Govt; provided, however, etc."

Apart from above, Dept and CAB approve contents your 1471 Sept 12. Confirm what is finally decided re Articles 3, 7 and 11. Believe revisions Art 11 suggested Deptel 732 Sept 9 particularly desirable. You may make drafting amendments Chinese letter provided principles not violated.

Full Power has been requested for Ambassador to sign, but unnecessary await Depts notification on this if signature imminent.

For Powell:

No news yet re conclusion bilateral with Philippines,<sup>33</sup> but on assumption Embassy Manila can conclude it without difficulty, what about proceeding Shanghai to Bangkok for Siamese bilateral?<sup>34</sup> Advise if this feasible, so telegraphic instructions can be sent Bangkok.

Sent to Nanking; repeated to Shanghai as Deptel 1647.

CLAYTON

711.9327/9-1946 : Telegram

*The Acting Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, September 19, 1946—6 p. m.

766. Apropos of Brit deviation from Bermuda principles as reflected in recent Brit agreements with Argentina<sup>35</sup> and other coun-

<sup>32</sup> Omission indicated in the original.

<sup>33</sup> An air transport agreement relating to the establishment of international civil air routes and services was signed at Manila on November 16, 1946; T.I.A.S. No. 1577, or 61 Stat. (pt. 3) 2479.

<sup>34</sup> An air transport agreement was signed at Bangkok on February 26, 1947; T.I.A.S. No. 1607, or 61 Stat. (pt. 3) 2789.

<sup>35</sup> Signed at Buenos Aires May 17, 1946; British Treaty Series No. 16, 1953.

tries, US aviation officials have recently returned from London where they discussed matter with Brit and agreed on a joint press statement <sup>36</sup> whereby both Govts state their belief that Bermuda (US-UK air transport) agreement is reliable basis for orderly development and expansion of international air transport and that until a multilateral air transport agreement is adopted, Bermuda type agreement represents best form of approach to problem of interim bilateral agreements. Both Govts agree that basic Bermuda principles should be included in negotiating any new bilateral agreements with other countries.

On basis of foregoing, this Govt informally obligated to try include Bermuda principles in all its future bilateral air transport agreements, including those now under negotiation. It is realized that Chinese and Philippine agreements, which are based on Chicago standard form, are virtually ready for signature but if at all possible Dept feels attempt should be made include Bermuda principles therein. During London talks Brit were on point signing several bilateral agreements, but agreed hold them up for revision to include pertinent Bermuda provisions in accord with joint statement above. If bilateral agreement not already signed, you should request addition of final section C in annex reading as follows:

"In the operation of the air services authorized under this agreement, both contracting parties agree to the following principles and objectives:

1. Fair and equal opportunity for the airlines of each Contracting Party to operate air services on international routes, and the creation of machinery to obviate unfair competition by unjustifiable increases of frequencies or capacity;

2. The elimination of formulae for the predetermination of frequencies or capacity or of any arbitrary division of air traffic between countries and their national airlines;

3. The adjustment of Fifth Freedom traffic with regard to:

- (a) traffic requirements between the country of origin and the countries of destination

- (b) the requirements of through airline operation, and

- (c) the traffic requirements of the area through which the airline passes after taking account of local and regional services."

If agreement not already signed, telegraph Dept if any objection to inclusion foregoing section. If so, you should defer actual signature so that we may notify Brit.

Sent to Nanking; repeated to Shanghai as Depts 1673; repeated to Manila for action as Deptel 379.

CLAYTON

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<sup>36</sup> Joint statement of September 19, by the United States and British Governments on international air transport policy, Department of State *Bulletin*, September 29, 1946, p. 577.



711.9327/9-2546 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, September 25, 1946—4 p. m.

[Received September 25—9:35 a. m.]

1538. Powell to Norton. Your telegram of 19 September<sup>37</sup> concerning possibility of inclusion of verbiage of Bermuda agreement in route annex of Chinese agreement was garbled in transmission and has not yet been cleared. However, I understand the general purpose of your message. For the following reasons it is my earnest recommendation that no attempt be made at this time to write Bermuda verbiage into the Chinese agreement:

(a) Acting upon the policy that it was desired to achieve a clear-cut agreement along the lines of Chicago standard form, without complicating it with rate and frequency control provisions such as were included in Bermuda agreement unless driven to it, I have conducted negotiations in that way. When Bermuda provisions were raised by Chinese negotiators for explanations I have discouraged their inclusion in Chinese agreement on grounds that they were not necessary in this situation and would needlessly complicate the agreement. Having done this I am not now in position to completely reverse myself by requesting inclusion of Bermuda verbiage in Chinese agreement. Such action would destroy my effectiveness in further negotiations here because in Chinese mind it would cause complete loss of face. Quite frankly I would not like being put in that position, since it would tend to discredit me and cast doubt upon my good faith with my friends on the other side of the table.

(b) There is nothing in provisions of proposed Chinese agreement which is inconsistent with the principles of Bermuda agreement. There are no provisions preventing fair and equal opportunity to operate air services, no formulae for predetermination of frequencies, capacity or division of traffic are included; there is nothing which prevents adjustment of fifth freedom traffic in the light of traffic requirements of countries of origin and destination, or in the light of requirements of through traffic after discussing local and regional services. This could not be said of Argentine and other British bilateral agreements. There, the undesirable situation ought [*thought?*] to be corrected by your 19 September arrangement with the British has no application to the proposed Chinese agreement.

(c) In view of the tenor and advanced state of the Chinese negotiations and attempt now to amend proposed Chinese agreement by including Bermuda verbiages simply because of this new arrangement with the British could very well be attacked in this country as an attempt on the part of the US and Britain to dictate the terms of bilateral air arrangements of third countries notwithstanding Chicago agreement. For this reason your 19 September press release is being withheld from distribution here but it is bound to trickle in from other sources and might well have a prejudicial effect.

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<sup>37</sup> Telegram No. 766, *supra*.

(d) Based on your telegram 14 September 1946,<sup>38</sup> in which signing of agreement was authorized, Chinese representatives were advised that the requested amendment to the letter concerning the connection of Pan American route at Canton was the final point to be negotiated. It was difficult to persuade them to accept even that small change because they had already completed their translation and secured final approval of Ministry of Communications. It was the understanding of all concerned that upon acceptance of that change negotiations had been concluded; that there would be no further change in the language of the agreement and that its formal approval by the Executive Yuan would be expedited. This all took place prior to the 19 September 1946 agreement with the British concerning the inclusion of Bermuda verbiage in future bilateral air transport agreements. I believe that any attempt to write in at this time the verbiage of Bermuda agreement would result in complete re-negotiation of the whole transaction, thus delaying its signing to an interminable time in the future and opening the door to a number of undesirable provisions and limitations that the Chinese have wanted and which are still being pressed by other ministries of the government.

In view of the foregoing it is my recommendation that the British be advised of the situation that exists in connection with the Chinese agreement and that because of this situation we proposed to formally execute the Chinese agreement in its present form. They should be assured, of course, that we will not sanction any attempted practices under this agreement which would be inconsistent with the Bermuda principles and, if necessary, at some propitious time in the future an attempt would be made to amend the Chinese agreement so as to incorporate therein the verbiage of the Bermuda agreement. [Powell.]

Please repeat reply to Shanghai.

STUART

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711.9327/9-2546 : Telegram

*The Acting Secretary of State to the Ambassador in China (Stuart)*<sup>39</sup>

WASHINGTON, September 27, 1946—6 p. m.

801. For Powell from Norton. Dept appreciates your position outlined Urtel 1538 Sep 25 but in view obligation incurred by US as result discussions with UK Govt it is necessary attempt include Bermuda principles by addition final section C in Annex reading as follows:

“In the operation of the air services authorized under this agreement, both contracting parties agree to the following principles and objectives:

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<sup>38</sup> Telegram No. 754, p. 1244.

<sup>39</sup> Repeated to the Consul General at Shanghai (Davis) as telegram No. 1743. October 2, 1 p. m.

1. Fair and equal opportunity for the airlines of each Contracting Party to operate air services on international routes, and the creation of machinery to obviate unfair competition by unjustifiable increases of frequencies or capacity;

2. The elimination of formulae for the predetermination of frequencies or capacity or of any arbitrary division of air traffic between countries and their national airlines;

3. The adjustment of Fifth Freedom traffic with regard to:

(a) traffic requirements between the country of origin and the countries of destination;

(b) the requirements of through airline operation, and

(c) the traffic requirements of the area through which the airline passes after taking account of local and regional services."

Dept cannot defend failure make effort obtain inclusion above language on basis personal embarrassment of negotiators. Therefore since agreement not already signed you must approach Chinese with request for inclusion this additional section. Such approach should be justified on basis instructions received from US Govt based upon further developments its policy of seeking a uniform type bilateral air transport agreement acceptable to all countries. While this Govt does not consider agreement as negotiated by you is inconsistent with Bermuda principles, it is extremely anxious foster approach toward uniform agreements and as evidence its good faith in adhering Bermuda principles, now wishes incorporate suggested language in Chinese agreement.

Depts press release Sep 19 should not be withheld from distribution since such action may be interpreted as effort on part US withhold information which would make conclusion of agreement more favorable to Chinese Govt possible.

Dept should be advised by telegram reaction Chinese to suggestion that language quoted above be included. If Chinese strongly opposed Dept will reconsider position. [Norton.]

CLAYTON

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711.9327/9-2546 : Telegram

*The Acting Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, October 7, 1946—6 p. m.

840. Telegraph any developments re air transport agreement since Deptel 801 Sept 27. If agreement not already signed please endeavor obtain redescription US route 1 read:

"US over a Pacific route to Mukden, Tientsin and Shanghai and thence to the Philippine Islands and beyond, as well as beyond Shanghai via route 3 described below."



This clarification based on possibility that Northwest and TWA will exchange equipment at Shanghai for onward operation over each others route to effect economy, altho not violating actual CAB certificates.

President signed Full Power for Stuart on Sept 20.<sup>40</sup>

ACHESON

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711.9327/10-946 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 9, 1946—4 p. m.

[Received October 9—8:45 a. m.]

1622. For Norton TRC from Powell.

“Have completed additional negotiations with Chinese representatives relative to inclusion of section C in route annex requested by you as result of your recent agreement with British. In response to this proposal Chinese Government negotiators agreed to accept your paragraph C of route annex and not to insist upon rate provisions.

Chinese negotiators have advised that agreement has not yet been approved by Chinese military because of inclusion of Mukden as traffic point. They have stated that if Mukden can be eliminated as traffic point at this time, it is their opinion that the agreement will be immediately approved. Chinese military feels strongly on this point that Chinese national commercial airlines are not even allowed to conduct operations into this area. Chinese negotiators have proposed that if we will agree to elimination of Mukden from body of agreement, they will be agreeable to elimination of New York and entire route No. 3 from body of agreement. They have further proposed that matter of Mukden and New York be covered in letter to be exchanged upon [signing of?] agreement including following paragraph:

“The Govt of China appreciates the viewpoint of the Govt of the US in desiring that its carriers serve additional international traffic points in China. However, in view of present unsettled situation certain areas of China, it is not deemed practicable that such additional international traffic points be granted at this time. In addition, lack of adequate airport, customs and immigration facilities make it impossible for Govt of China to designate certain additional international traffic points. It is understood and agreed, however, that the question of such additional service will be reopened at such [time] as it becomes feasible. In any event US carriers will be authorized to serve additional traffic points in Chinese territory as soon as the carriers of any third country are so authorized and Chinese carriers will also then be authorized to serve additional points in US territory on basis of reciprocity. In this connection it is specifically understood and agreed that as soon as US carriers are authorized to serve the additional traffic point of Mukden, Chinese carriers will be authorized to serve the additional traffic point of New York on the following route: China over the Atlantic route via intermediate points in Indochina, Burma, India, Near East, Africa and Europe to New York and beyond.”

This paragraph except for last sentence is presently included in letter. What are your wishes in this matter? When replying please send copy to Shanghai.” End Powell to Norton.

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<sup>40</sup> Transmitted by the Acting Secretary of State in his instruction No. 89, October 14.

Embassy desires to point out that there is no basis for believing that it will be easier to obtain Mukden as an additional traffic port in the months to come by virtue of its inclusion in letter to accompany agreement than it is now. On the contrary if Dept desires that real attempt be made to include Mukden, now is the time to do it for we are undoubtedly now in a better bargaining position than we shall be after the lines have been established and China is obtaining adequate international services. Dept will have to judge whether possible delay of some weeks which may be incurred in pressing for Mukden entailing postponement of conclusion of agreement is worth attempt to obtain its inclusion. Dept is aware that as a traffic center Mukden does not bid fair to be productive in near or intermediate future. Also it can be assumed that its inclusion will create difficulties for Chinese vis-à-vis Russians who will sooner or later like to establish a line via Mukden to Port Arthur. To the argument that inclusion of Mukden in a Sino-American treaty will not act as precedent for Russia, since we will have given China in return important counter concessions which Russia will be unwilling or unable to meet, Chinese would reply that their position vis-à-vis Russians is sufficiently weak that best means they have of resisting Russian pressure is to take position that no foreign country is permitted to overfly Manchuria or land at Mukden.

It is, therefore, desirable that decision on this point be made taking into consideration all factors and circumstances and that we be instructed accordingly.

STUART

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711.9327/10-946 : Telegram

*The Acting Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, October 11, 1946—7 p. m.

867. Dept appreciates excellent work Embassy and Powell in negotiating under difficult conditions (Your 1622 Oct 9). In view Chinese position re Mukden we reluctantly agree eliminate it from annex now provided agreement can be concluded without delay and Dairen included in Chinese letter as noted below.

Dept prefers latter part of fifth sentence new paragraph Chinese letter your 1622 Oct 9 (which presumably replaces last two paras Chinese letter your 1471 Sep 12) be revised to read: “. . .<sup>41</sup> and Chinese carriers will also then be authorized on additional route to US territory on basis of reciprocity”. Next sentence revised to read: “In this connection it is specifically understood and agreed that as

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<sup>41</sup> Omission indicated in the original.

soon as US carriers are authorized to serve the additional traffic points of Mukden and Dairen, Chinese carriers will be authorized to serve additional point of New York on following route: China over an Atlantic route via intermediate points in etc. etc. to New York". Note that "and beyond" should be omitted after New York.

Dept assumes Mukden omitted in first paragraph Section A Annex as well as in route 1, and hopes route 1 can be revised per Deptel 840 Oct 7.

Also assume New York omitted from first paragraph Section B Annex and Chinese route 3 eliminated.

Confirm foregoing as well as points raised Deptel 754 Sept 14.

Sent to Nanking; repeated Shanghai as Depts 1823.

ACHESON

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711.9327/10-2546: Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 25, 1946—11 a. m.

[Received October 26—12:40 a. m.]

1738. Powell to Norton. Further negotiations with Chinese Government have brought the proposed aviation bilateral agreement to the following status:

(a) Chinese Government has agreed to amend the description of US Route 1 in the route annex as you requested.

(b) Chinese Government has requested the inclusion of article 12 of the Bermuda Agreement in the text of the Chinese Agreement. This article would be included as article 10 of the Chinese Agreement and contain the identical wording of article 12 of the Bermuda Agreement except that the first two lines of paragraph (A) of the article would read, "the term aeronautical authority shall mean in the case of the Republic of China, the Minister of Communications". I believe that the real reason for the Chinese negotiators' request for the inclusion of this article is the reported fact that the Chinese military aviation authorities are seeking to retain a substantial measure of controls over civilian aviation. I see no objection to the inclusion of this article in the Chinese Agreement.

(c) Chinese negotiators have requested that in the exchange of letters to be made upon the signing of the agreement, the United States Government write to the Chinese Government the long letter setting forth the understanding and agreement of the two governments with respect to the temporary right to land at Peiping, the right to serve Hong Kong instead of Canton at the option of the United States Government, the right to connect the mid-Pacific service of the carrier



serving Route 2 at Canton, the right of Chinese carriers serving Routes 1 and 2 to connect at San Francisco and the agreement with respect to additional traffic points in China and the United States. The Chinese Government would write the responding letter setting forth the contents of the long letter and advising that it was acceptable to the Government of China. I perceive no objection, of course, to this procedure.

(d) The controversy with respect to the inclusion Mukden has not been discussed further by Chinese negotiators and for this reason, we have not in any way indicated that we might be agreeable to the exclusion of this traffic point. It is possible, however, that this point might be raised again and in that event we are prepared to follow your instructions contained in your last radio.

(e) The Chinese negotiators have at each of our recent conferences again brought forward their desire to include in this agreement provisions covering rates. They have taken a very strong position in this regard and state they cannot understand why we would be willing to include rate provisions in the Bermuda Agreement and not be willing to include such provisions in the Chinese Agreement, particularly when at the same time we have asked for the inclusion of the other language of the Bermuda Agreement in the Chinese Agreement. This is the position I advised you I was afraid they would take when we asked for the inclusion of part of the Bermuda language respecting Fifth Freedom traffic. The Chinese negotiators state that this is the only point in the agreement that remains to be negotiated. I believe that since we have made the joint announcement concerning the agreement with Britain with respect to the inclusion of the language from the Bermuda Agreement in other bilateral agreements and have requested the Chinese Government to accept this, it will now be necessary for us to concede their point to them and write into the Chinese Agreement the language contained in section 2 of the route annex of the Bermuda Agreement. I would like your instructions on this point.

(f) On or about September 14 the agreement was finally approved by the Ministry of Communications and forwarded to the Executive Yuan for its final approval and signature. The Executive Yuan returned the agreement to the Minister of Communications with the recommendation that he forward it to the Minister of Defense<sup>42</sup> for his consideration and recommendations. This was done and the Ministry of Defense held the agreement up for more than a month. We finally succeeded in getting the Ministry of Defense to return the agreement to the Ministry of Communications with its recommenda-

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<sup>42</sup> Gen. Pai Chung-hsi, Chinese Minister of National Defense.

tions. We are advised that the Minister of Defense has recommended that no agreement be signed at this time because (1) the Chinese Government does not have adequate civilian airports for use by international carriers in flying the proposed routes, (2) the Chinese Government does not have an effective civil aeronautical regulatory body set up and functioning and (3) the proposed international commercial air transport operations would interfere with the Government's war efforts in Northern China and might lead to some international incidents. The Minister of Communications has advised that he does not agree with these recommendations and has taken the position that the agreement should be signed at this time if it can be negotiated to the satisfaction of the Chinese Government. The Minister of Communications has further advised that the agreement and his recommendations as well as those of the Minister of Defense have now gone forward to the Executive Yuan and to the Generalissimo<sup>43</sup> for final approval. We have been told that President of Executive Yuan, T. V. Soong, disposed to approve the signing of the agreement and the Minister of Communications has advised that he will personally see the Generalissimo about the matter as soon as possible. The Generalissimo is now in Formosa and will not return to Nanking until sometime next week. There is no way to estimate how much time will be consumed in these final steps but we have been advised that there is a possibility that it could be completed within 2 weeks. [Powell.]

Sent Department as 1738; Department please repeat reply to Shanghai.

STUART

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711.9327/10-2546 : Telegram

*The Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, October 29, 1946—7 p. m.

953. Satisfactory to include Article 12 of Bermuda Agreement (Paragraph B your 1738 Oct 25).

Reur Paragraph C, no objection us writing original letter and Chinese replying. However, some re-phrasing necessary, particularly first part paragraph quoted your 1622 Oct 9, to indicate Chinese reluctance on these matters. Please give new language.

Reur Paragraph E, no objection including Section 2 Annex Bermuda Agreement on rates. What number will it have in present Annex?

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<sup>43</sup> Chiang Kai-shek, President of the National Government of the Republic of China.

What was finally decided re Articles 2 (*b*), 3, 7 and 11 (Depts 732, Sept 9)?

Sent to Nanking; repeated to Shanghai as Deptel 1956.

BYRNES

711.9327/10-3146 : Telegram

*The Consul General at Shanghai (Davis) to the Secretary of State*

SHANGHAI, October 31, 1946—5 p. m.

[Received October 31—9:30 a. m.]

2133. Powell to Norton. Reference paragraph 4 Deptel 1956, October 30.<sup>44</sup>

Article 2B amended as you requested. Article 3 to remain in agreement at request of Chinese Government. Article 7 amended as you requested. Article 11 amended as you requested. Section 2 of Bermuda Annex on rates would be included in this agreement as section D.

Will give you new language of original letter to be written by United States. Will incorporate such rephrasing as is necessary to constitute an appropriate original letter by United States and to take care of the final agreement reached on Mukden.

It will not be feasible to eliminate the words "and beyond" from each of the Chinese routes described in section B of annex. Chinese want these words included because they are included on our routes in section A and they attach great importance to these words as making the routes identical and therefore reciprocal. [Powell.]

Repeated to Nanking as 1205.

DAVIS

711.9327/10-946 : Telegram

*The Acting Secretary of State to the Consul General at Shanghai (Davis)*

WASHINGTON, November 4, 1946—7 p. m.

2006. Other than reference to "and beyond" mentioned your 1622 Oct 9 in connection with Chinese route to New York, we had not realized that Chinese had desired this additional phrase for each their routes (Your 133 [2133,] Oct 31). Such extension not mentioned Your 1471 Sept 12 giving Chinese route descriptions under Section B Annex. Whereas this phrase is included our route descriptions because US routes actually contemplated to specific onward points, we

<sup>44</sup> See telegram No. 953, *supra*.



dislike precedent including it re foreign routes entering US without more knowledge of their extended destination. However, if Chinese strongly insist we reluctantly agree to add "and beyond" provided you make clear this does not commit us to adding additional traffic points in US territory re any Chinese route.

Sent Shanghai; repled Nanking as Deptel 989.

ACHESON

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711.9327/11-646 : Telegram

*The Acting Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, November 6, 1946—7 p. m.

1003. I am pleased to note that negotiations for air transport agreement with China approach successful conclusion. Dept and CAB attach importance to early signature. You may therefore wish to take early opportunity to emphasize this fact to Generalissimo with view to expediting final action before Nov 12 when presumably National Assembly will monopolize official attention.<sup>45</sup>

Sent to Nanking; repled Shanghai as Deptel 2023 for info Powell.

ACHESON

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711.9327/11-1146 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, November 11, 1946—4 p. m.

[Received November 12—2:13 a. m.]

1856. There have been several causes making for delay in conclusion of the civil air transport agreement, of which the more important are the inclusion of Mukden, the Chinese desire for a loan to improve their civil air fields, and a behind the scenes struggle between the Minister of Communications<sup>46</sup> and the head of the Chinese Air Force<sup>47</sup> for control of civil aviation. (ReDeptel 1003, November 6, 7 p. m.) Following a talk with Dr. Soong, General Marshall has agreed on political grounds to the omission of Mukden from the agreement. A meeting with the concerned officials will take place on November 13, as a result of which it will transpire whether the Chinese interests concerned have in fact been pinned down to an accord.

STUART

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<sup>45</sup> The National Assembly was scheduled to meet November 12. It did not convene until November 15.

<sup>46</sup> Gen. Yu Ta-wei.

<sup>47</sup> Air Lt. Gen. Chou Chih-jou, Commander in Chief of the Chinese Air Force.

711.9327/11-2046 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, November 20, 1946—9 a. m.

[Received 4:30 p. m.]

1916. After several meetings the text of a Sino-American transport agreement together with covering letter was agreed by the Chinese and American negotiators on basis set forth below. Embassy has been informed that Executive Yuan has approved these documents which have now been resubmitted to Generalissimo and that as soon as his approval is forthcoming the signing can take place.

The documents are in following form :

(A) Body of agreement contains the 13 articles about which you have been advised.

(B) Section A of annex does not include Mukden as traffic point. General Marshall felt that in view of political situation we should accede to Chinese insistence on the elimination of this point. Otherwise section B remains unchanged.

(C) Section B of annex does not include Seattle as traffic point. Chinese changed their position on surrendering route number three because their top officials felt the agreement should show on its face that each government was granted three routes on basis of reciprocity. Section B [A] now contains the original three routes but with Seattle eliminated.

(D) Section C of annex contains the Bermuda Fifth Freedom traffic limitations we requested without change.

(E) Section D of annex contains verbatim the Bermuda agreement annex section II language on rates, except for inserting "China" in place of "United Kingdom".

(F) The letters to be exchanged are set forth in full as follows :

[“]Excellency, I have the honor to refer to the air transport agreement signed today between the Government of the United States of America and the Government of the Republic of China, and to state that, in connection with this agreement, it is the understanding of my Government that the following points have been collaterally agreed to :

(a) Until such time as the airport facilities at Tientsin are enlarged and improved to the extent necessary to accommodate aircraft flying on the international route serving the traffic point of Tientsin as designated in the aforesaid agreement, aircraft serving this route will be permitted by the Government of China to land for international traffic purposes at Peiping.

(b) There will be no objection to United States carriers designated to serve routes two and three described in paragraph 'A' of the route annex, serving Hong Kong instead of Canton at the option of the United States Government; provided, however, no shuttle service

will be operated by the designated United States carriers between Hong Kong and any one of the points in Chinese territory mentioned in the annex attached to the agreement. Furthermore, the United States carrier designated to serve route number 2 described in paragraph 'A' of the route annex, will have the right to connect with its mid-Pacific service at Canton, in event the option to serve Canton instead of Hong Kong is exercised by the United States Government. Likewise, the Chinese carriers designated to serve routes numbered one and two, described in paragraph 'B' of the annex will have the right to connect at San Francisco.

(c) The Government of China is fully aware of the desire of the Government of the United States that United States carriers be granted the right to serve additional international traffic points in China, including Manchuria. However, the Government of China deems it impracticable, in view of the present unsettled situation in certain areas of China and the present lack of adequate airport, customs and immigration facilities, to grant such additional international traffic points at this time. In view of this situation the question of granting rights of service at additional international traffic points will be reopened at such time as it becomes feasible and it is understood that the Government of China gives special assurances that as soon as conditions readily permit, rights of service at additional international traffic points will be granted to the United States. In this connection it is specifically understood and agreed that as soon as United States carriers are authorized to serve the additional traffic points of Mukden and Dairen, Chinese carriers will be authorized to serve the additional traffic point of Seattle on route number one, described in section B of the annex.

(d) United States carriers will be authorized to serve additional traffic points in Chinese territory as soon as the carriers of any third country are so authorized, and on a basis of reciprocity Chinese carriers will also then be authorized to serve additional points in United States territory.

(e) The term 'and beyond' as used in the annex to the agreement means that the route so described may be extended beyond the territorial limits of the contracting party to one or more other countries. This term shall not be interpreted to commit either contracting party to the granting of additional traffic points in their respective territories.

I shall be much obliged if Your Excellency will confirm the foregoing.

I avail myself of this opportunity to renew to Your Excellency the assurances of my highest consideration".

"Excellency, I have the honor to acknowledge the receipt of your letter of November 1946 which reads as follows: (here insert text of letter).

I take pleasure in stating that the contents of your letter, as quoted above, are acceptable to the Government of the Republic of China.

I avail myself of the occasion to renew to you, Sir, the assurance of my highest consideration".

STUART



711.9327/11-2046 : Telegram

*The Acting Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, November 22, 1946—6 p. m.

1066. CAB and Dept agree (Urtel 1916 Nov 20) retention Chinese route 3 and omission Seattle.

1. Draft agreement summarized your 1916 Nov 20 and exchange of letters now generally satisfactory, but in preparing latest draft in contemplation press release Dept calls attention to following points on which clarification desired so we may have precise language. Ur 1436 Sept 7 subpara 3 para 5 gives language to be added Art 10, which previously followed Art 10 Chicago standard form. Art 10 language your 1436 Sept 7 satisfactory by itself but not in addition to Art 10 Chicago. If latter included this would conflict with 4-year period stated Art 11. Therefore recommend deletion Chicago Art 10 if this not already done, leaving Art 10 language your 1436 remain by itself.

2. Ur 1471 Sept 12 said Depts suggestion had been followed in converting pertinent parts Chicago standard form to bilateral language, but we still lack precise language Art 3. Our usual bilateral language this art reads "operating rights which may have been granted previously by either of the contracting parties to an airline of the other contracting party shall continue in force according to their terms" and we prefer this if Chinese agreeable. However, if Chinese insist on original Chicago form first reference to "any" should be changed to "either".

3. References to US and China in preamble should be revised to read US of America and Republic of China.

4. In Art 8 suggest addition "or its successor" after PICAQ.<sup>48</sup>

5. Para B your 1738 Oct 25 says Art 12 Bermuda will be included as Art 10 Chinese agreement, which Dept interprets as addition to Art 10 set forth your 1436 Sept 7. Since there is no close relation to latter, suggest Art 12 Bermuda become new Art 11, and present Arts 11 and 12 renumbered accordingly. Possibly this already done, as your 1916 Nov 20 refers to 13 arts. Also, para B your 1738 Oct 25 mentions "the term aeronautical authority, etc." which should be "authorities" instead. Although not clear from your 1738 Oct 25, presume "and any person or body authorized to perform functions presently exercised, etc." will also apply to Minister Communications as well as CAB.

Advise final action taken re above points although Dept does not desire conclusion agreement delayed or prejudiced, and therefore leaves your discretion necessity raising them again with Chinese.

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<sup>48</sup> Provisional International Civil Aviation Organization.

Do Chinese object publication exchange of letters (Para F your 1916 Nov 20)? If so, presume no objection making contents known on confidential basis to interested US airlines.

ACHESON

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711.9327/11-2546 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, November 25, 1946—3 p. m.

[Received November 25—6 a. m.]

1965. Powell to Norton. Urtel 1066 concerning proposed Sino-American air transport agreement :

1. Chicago form article 10 has already been deleted from the agreement and revised termination article described in Embtel 1436, September 7, included in its place.

2. Chinese have requested Chicago form article 3 which has been reworded for bilateral agreement to read as follows: "Operating rights which may have been granted previously by either of the contracting parties to any state not a party to this agreement or to an airline shall continue in force according to their terms".

3. Revising US and China to read United States of America and Republic of China can be accomplished at final meeting.

4. Amending article 8 by adding "or its successor" after PICA0 can also be accomplished at final meeting.

5. Article 12 of Bermuda agreement was included as a separate article in Chinese agreement which is now numbered 10.

Paragraph B of article 12 uses the term "aeronautical authorities"; transmission to you must have been garbled in this respect.

Provision "and any person or body authorized to perform functions presently exercised, etc." also applies to Minister of Communications as well as CAB. Transmission to you must have been further garbled in this respect.

6. Final method of handling publication of letters has not been settled with Chinese authorities since there have been no further meetings with them since our last radio. This question will be definitely settled at our final meeting. [Powell.]

STUART

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711.9327/11-2946 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, November 29, 1946—11 p. m.

[Received November 30—1:25 a. m.]

2002. Negotiations for Sino-American air transport agreement concluded today and agreement and letter initialed by duly authorized

representatives of both Governments. No changes in agreement except the two Department requested, to wit "United States of America" and "Republic of China" in preamble and "or its successor" in article VIII. The following changes made in letter:

1. Paragraph (C) revised to read as follows:

"The Government of the United States is desirous of obtaining the right for United States carriers to serve other international traffic points in China beyond those mentioned in the present agreement. The Government of China does not wish to extend these points at present but will be ready to give prompt consideration thereto when conditions justify."

This change was made because the Generalissimo objected to statement that conditions in China were unsettled and because he insisted that the political situation here made the express mention of Dairen and Mukden and Manchuria untenable.

2. The following paragraph was added to the letter as (F):

"The Government of the United States agrees that if at any time it should enter into an agreement with any other nation adopting formulae for the predetermination of frequencies or capacity, it will enter into a similar agreement with the Government of China."

The Generalissimo and the President of the Executive Yuan wanted a provision in the agreement stipulating that the frequencies and capacity of American airlines could not exceed that of Chinese airlines. However, they agreed to settle for paragraph (F) of the letter.

The agreement and letters will be formally signed as soon as the official translation is completed. In view of Chinese language intricacies and adaptation of this language to the technical terms of this agreement, the official translation will probably require about 10 days.

It has been agreed that no reference will be made to the letter in our press release but that it may be shown to our interested airlines on a confidential basis and, of course, filed with PICAQ.

Powell is therefore planning to return to US forthwith. Embassy is most appreciative of services he has rendered in these negotiations.

STUART

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[For text of civil air transport agreement between the United States and China, signed at Nanking, December 20, 1946, see Department of State Treaties and Other International Acts Series No. 1609, or 61 Stat. (pt. 3) 2799. For Department press release concerning the agreement, see Department of State *Bulletin*, January 5, 1947, page 30.]



PROPOSED ARRANGEMENT FOR AERIAL MAPPING OF  
CHINA BY UNITED STATES ARMY; ABANDONMENT OF  
PLAN EXCEPT FOR AERIAL MAPPING OF FORMOSA

893.014/11-145 : Telegram

*The Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, November 1, 1945—4 p. m.

1776. War Dept has informed Dept that it desires to accomplish aerial photography and obtain necessary ground survey control data of China beginning immediately. War Dept desires first to photograph China proper and Formosa and possibly Tibet and Sinkiang. In late spring of next year War Dept wishes to extend mapping operations to cover Inner Mongolia and Manchuria. War Dept will if desired furnish Chinese Govt a set of duplicate negatives and plot maps of photography accomplished as well as copies of control data obtained and will permit Chinese official observers to accompany mapping units during operations.

Dept desires that Embassy approach appropriate Chinese authorities with view to obtaining latter's clearance for commencement at earliest possible date of operations outlined above. Before making this approach to Chinese authorities you should discuss this matter with General Wedemeyer<sup>1</sup> who has copy of War Dept mapping plan and keep him informed of developments. Please report results of approach by radio.

BYRNES

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893.014/11-2945 : Telegram

*The Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, November 29, 1945—8 p. m.

1915. As War Dept desires to proceed at earliest possible date with mapping operations outlined in Dept's 1776, Nov 1, 4 p. m. please inform us at once of results of your approach to Chinese authorities.

BYRNES

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<sup>1</sup> Lt. Gen. Albert C. Wedemeyer, Commanding General, U. S. Forces in the China Theater and Chief of Staff, China Theater.

893.014/12-745 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, December 7, 1945—1 p. m.

[Received 1:10 p. m.]

2115. In accordance with instructions last paragraph your 1776, November 1, we delayed approaching Chinese authorities pending arrival and discussion with General Wedemeyer in Chungking. War Dept request was conveyed to Foreign Office in note Nov. 15 to which we have had no reply (re your 1915, November 29). Have again requested Vice Foreign Minister <sup>2</sup> to expedite.

ROBERTSON

893.014/12-745 : Telegram

*The Acting Secretary of State to the Chargé in China (Robertson)*

WASHINGTON, December 29, 1945—5 p. m.

2082. Please again approach FO in regard to desire of War Dept to proceed at once with mapping operations in China (Dept's 1776, Nov 1, 4 p. m., and 1915, Nov 29, 8 p. m., and Urtel 2115, Dec 7, 1 p. m.), pointing out that further prolonged delay may jeopardize carrying out of program.

ACHESON

893.014/1-746

*The Secretary of State to the Secretary of War (Patterson)*

OIC/IDC

WASHINGTON, January 7, 1946.

MY DEAR MR. SECRETARY: This Department has under advisement a proposal to inaugurate, as a supplement to arrangements which it is understood have already been made by the War Department, a project looking to a study of the mapping requirements of China, the adequacy of its present available surveying and mapping personnel, and the mapping organization of the central government, and to assistance to that government in the formulation of a plan for the eventual adequate surveying and mapping of Chinese territory.

The proposal contemplates, as an initial step, the detail to China, under the program of the Interdepartmental Committee on Cultural and Scientific Cooperation, of a mission of three surveying and mapping experts to study the present organization, equipment, and the adequacy of personnel, and to prepare an appropriate report for the use of both governments.

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<sup>2</sup> Liu Chieh.

This matter has been discussed informally with Colonel Gerald Fitzgerald, formerly Commanding Officer, Headquarters Aeronautical Chart Service, Army Air Forces, with Colonel Albert G. Matthews, Chief, Military Intelligence Division, Office of the Chief of Engineers, and with representatives of the United States Geological Survey, Department of the Interior. The Director of the Geological Survey, Dr. William E. Wrather, has indicated an interest in this undertaking and would be prepared to recommend to the Secretary of the Interior the utilization of the Survey's facilities to implement any project that may be formulated, subject to the appropriation of funds for that purpose and to the approval or acquiescence of the War Department.

Any cooperative program looking to the accomplishment of the contemplated objectives would, of course, be dependent upon the passage of the necessary enabling legislation and the eventual appropriation of funds. A bill<sup>3</sup> is now pending before the Congress, the purpose of which is to extend the scope of this Department's present program of cooperation with the other American republics, and the proposed mapping project in China would be undertaken in pursuance of that bill, if enacted into law.

It should be emphasized that, although there is reason to believe that a project of this kind would be acceptable to the Chinese Government on a cooperative basis, that Government has made no overtures, nor have there been any negotiations concerning the matter. For the present, therefore, it is desired that this proposal be held confidential.

In view of the known interest of the War Department in mapping activities, I should appreciate an indication of your views concerning the proposal outlined hereinabove, and any recommendations you may wish to make.

Sincerely yours,

For the Secretary of State:  
WILLIAM BENTON

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893.014/1-2546: Telegram

*The Counselor of Embassy in China (Smyth) to the  
Secretary of State*

CHUNGKING, January 25, 1946—11 a. m.  
[Received 2:45 p. m.]

157. Under date January 13 General Hsu Yung-chang, Chief of the Board of Military Operations, wrote Headquarters, China Theater, in substance (Dept's 1776 November 1 and Embassy's 2115, December 7) as follows:

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<sup>3</sup> H. R. 3835, 79th Cong., 1st sess.; introduced by Representative Sol Bloom (New York) on July 18, 1945, *Congressional Record*, vol. 91, pt. 6. p. 7742.



"With regard to the aerial photography project requested by the US War Dept, we wish to inform you that we have received an instruction from the Generalissimo<sup>4</sup> granting the request with the following qualifications: the project should be carried out with formal acknowledgement of Soviet authority in those areas in the northeast from which Soviet forces have not yet withdrawn; those areas in Sinkiang where rebels and bandits are still active should be temporarily excluded."

SMYTH

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893.014/1-3046

*The Secretary of War (Patterson) to the Secretary of State*

WASHINGTON, January 30, 1946.

MY DEAR MR. SECRETARY: Your letter, OIC/IDC of January 7, 1946, concerning the State Department's proposal to dispatch a mission of three survey and mapping experts to China, has been received. The War Department is eager to establish intimate diplomatic relations with China on the basis of freely rendering technical assistance and material aid in support of the Chinese Government's mapping project, in return for copies of maps and the privilege to establish aerial photographic units and ground survey troops in China for the purpose of extending and improving certain mapping in China.

Diplomatic negotiations are now under way in connection with the China aspects of the War Department's post hostilities mapping plan. These negotiations are being carried forth by your Department in accordance with the War Department's memoranda to Mr. Frederick B. Lyon, Chief of the Division of Foreign Activity Correlation, under dates of October 16 and October 29, 1945.<sup>5</sup> These negotiations have in view the accomplishment of the War Department's objectives in mapping negotiations with China.

The War Department prefers, for the present, to defer action on any additional project involving mapping aid to China until the results of the current negotiations become apparent. It is held that further cooperation in mapping with the Chinese should be dependent upon the successful completion of the negotiations already undertaken.

Upon the receipt of information that the aims sought by the War Department in the referenced memoranda have been agreed upon with the Government of China, this department will be prepared to give material support to the proposal to dispatch both technical per-

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<sup>4</sup> Chiang Kai-shek, President of the National Government of the Republic of China.

<sup>5</sup> Neither found in Department files, but see telegram No. 1776, November 1, 1945, 4 p. m., to the Chargé in China, p. 1261.

sonnel and other assistance to the mapping organization of the Chinese Government.

However, it is felt that the impetus for reorganization of the Chinese survey service, if required, should stem from the Chinese Government. Such a move may be made as a result of negotiations now being undertaken to secure bases in China for photographic aircraft and field survey parties, and from this department's point of view it would appear preferable to permit a Chinese delegation to examine our own modern mapping facilities, their organization and equipment, with a view toward improving their own service on the basis of this new knowledge, rather than to attempt to accomplish this purpose by means of a mission to China of American experts in this field.

It is believed that the best results will be obtained if China accedes to our desires to perform necessary aerial mapping photography thereof and a minimum of field control, with the matter of further participation in the program being left to the Chinese Government.

Sincerely yours,

ROBERT P. PATTERSON

893.014/2-546 : Telegram

*The Counselor of Embassy in China (Smyth) to the  
Secretary of State*

CHUNGKING, February 5, 1946—11 a. m.

[Received February 5—10:24 a. m.]

221. Aerial survey of China by War Dept (Emb 157, Jan 25). Note from FonOff dated Jan 29 states that in the case of Sinkiang aerial photography proposed to be undertaken by War Dept is still to be held in abeyance.

SMYTH

893.014/10-2546 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, October 25, 1946—10 a. m.

[Received October 25—6:55 a. m.]

1737. Agreement <sup>6</sup> was signed by Major General W. P. Wan, Chief, Bureau of Survey, Ministry of National Defense, and Brigadier General Loper, US Army Forces Pacific, regarding the aerial mapping project which was subject of Dept's 1776, November 1, 4 p. m., 1945

<sup>6</sup> Sino-American Cooperative Mapping Agreement, signed at Nanking, October 17, 1946.

on which was based a formal note to Foreign Office.<sup>7</sup> Since the matter has lain dormant and was only recently activated by military authorities directly with Ministry of National Defense, Embassy was apprised of arrangement shortly before signature.

Agreement is to come into force upon approval of the US and Chinese Govts, and therefore it is expected that War Dept will consult shortly with Dept.

Project envisages use of at least seven airfields in China and will call for the stationing of some 2,000 US Army personnel here. Any such move at this time will obviously attract widespread attention and speculation and if now undertaken would no doubt have important political repercussions since, among other things, it could only be interpreted—at any rate by the layman—as a strategic preparation for a military campaign against Russia.

While Embassy, of course, does not wish to make recommendations in regard to actions affecting the broader field of American-Soviet relations, it does recommend from the point of view of the situation in China that this operation be held in abeyance unless and until it is decided that the benefits to be derived from this project would outweigh its obvious and possibly serious consequences, and that in the meantime special efforts be made to insure that existence of such a signed agreement does not leak out.

Text goes forward by airpouch.<sup>8</sup>

General Marshall<sup>9</sup> is not yet sufficiently informed regarding the over-all project to give his views on the foregoing but would appreciate Dept's reactions.

STUART

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893.014/10-2546 : Telegram

*The Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, November 1, 1946—7 p. m.

979. Subject of air mapping survey has been discussed informally with concerned officials War Dept who have been orally advised Dept's complete concurrence Emb's recommendations (Embtel 1737 Oct 25, paragraph 4).<sup>10</sup>

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<sup>7</sup> Note No. 39, November 15, 1945, not printed.

<sup>8</sup> Despatch No. 226, October 28, not printed.

<sup>9</sup> General of the Army George C. Marshall, Special Representative of President Truman in China.

<sup>10</sup> Telegram No. 1020, November 8, 7 p. m., to the Ambassador in China, stated: "For your info[rmation] General Eisenhower [Chief of Staff] has sent message to General Marshall re subject of your 1737 and our 979 which is in line with our thinking."



Although Dept realizes present availability personnel and equipment constitute factor in favor early implementation of agreement nevertheless Dept believes over-all political considerations should not be sacrificed to administrative and mechanical expediency.<sup>11</sup>

BYRNES

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<sup>11</sup> Subsequent telegrams (not printed) indicated that, with the exception of Formosa, all Chinese areas, including Manchuria, were deleted from the War Department mapping program, and the Department requested that the Ambassador in China notify the Chinese Government that no further action was contemplated with reference to the program. Renewal of discussions on the program, however, began in April 1947.

# TECHNICAL COLLABORATION IN AGRICULTURE AND FORESTRY BETWEEN THE UNITED STATES AND CHINA; CHINA-UNITED STATES AGRICULTURAL MISSION<sup>1</sup>

893.61/1-1646: Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, January 16, 1946.

[Received January 17—3:49 p. m.]

119. ReDeptel 200 [2070], December 27, 1945.<sup>2</sup> Text of note from Ministry of Foreign Affairs dated October 26, 1945 on subject of technical collaboration in agriculture and forestry between China and the United States is as follows:

"I have the honor to state that a despatch dated October 15, 1945 has been received from the Executive Yuan quoting a petition received from the Ministry of Agriculture and Forestry to the following effect:

'As postwar technical collaboration in agriculture and forestry between China and the United States is significantly related to Chinese reconstruction in the fields of agriculture and forestry and to the reciprocal exchange of agricultural products between China and the United States, preliminary discussions were conducted with the authorities of the United States Department of Agriculture by Dr. Tsou Ping-wen, the Ministry's representative in the United States,<sup>3</sup> and Mr. Hsieh Chia-sheng,<sup>4</sup> director of the Central Agricultural Experiment Station, whereby the support of the former was obtained. A draft proposal for technical collaboration in agriculture and forestry between China and the United States has been drawn up by this Ministry and is submitted herewith for your consideration. The Executive Yuan instructs the Ministry of Foreign Affairs to conduct the necessary negotiation with Government of the United States.'

Chinese and English copies of the proposal for technical collaboration in agriculture and forestry between China and the United States is forwarded herewith for your attention. It is requested that the same be submitted to the Government of the United States to be dealt with. The courtesy of a reply will be appreciated."

Exact text of draft proposals referred to as enclosure to foregoing note being sent airmail.<sup>5</sup> Abbreviated text thereof follows:

<sup>1</sup> For previous correspondence, see *Foreign Relations*, 1945, vol. VII, pp. 1425 ff.

<sup>2</sup> Not printed; the Department requested the Embassy to telegraph the text of petition from the Chinese Ministry of Agriculture (893.61/10-3045).

<sup>3</sup> Chinese Representative to the United Nations Food and Agriculture Organization.

<sup>4</sup> Also known as K. S. Sie.

<sup>5</sup> In unnumbered memorandum of January 5 from Owen L. Dawson, Agricultural Attaché, not printed.

Ministry Agriculture and Forestry, with approval National Government, proposes initiate program technical collaboration in field of agriculture and forestry with assistance United States Department Agriculture and to this end a formal invitation is extended from National Government of China to United States Government with hope it be given early attention. Specifically Ministry Agriculture and Forestry suggests following points for consideration Agriculture Department:

1. American Mission of 8 experts to be sent to China sometime between January and April 1946;

2. Of above 8 experts 2 should be well experienced for general advice on over-all program and to assist Ministry in laying out and initiating technical program, 1 to advise on general agricultural research the other on agricultural economics. These men expected to stay in China from 4 to 6 months.

3. Other 6 experts should be specialists in following fields: tung oil, carpet wool, tea, silk, fisheries (fresh water and marine), soya bean processing especially for improving food values.

4. These 6 specialists to remain in China minimum period 3 years and if possible 5 years unless provision is made for suitable substitutes.

5. Recommendations made by Mission for consideration Chinese Government may include participation by American Government in long term program agricultural development through supply of personnel and funds. Recommendations of Mission calling for such personnel and funds are recognized as not binding in any way on American Government. Likewise it is not incumbent on Chinese Government to carry out entire program adopted unless it has funds to do so.

6. The 8 specialists should be chosen by the American Government in consultation with the Government of China.

7. The American Government is requested to meet salaries of 8 specialists and their traveling expenses to China and return.

8. Chinese collaborators will be appointed by National Government to work with American specialists. Traveling facilities in China for official work of American specialists as well as all incidental expenses incurred during travel will be supplied by Ministry of Agriculture and Forestry. Housing facilities for specialists and their families in China will also be supplied by same Ministry.

9. As part of long term program of technical collaboration it is suggested that American Government arrange a technical training program for Chinese students in the United States by granting of fellowships to be agreed upon from year to year.

10. In order to make this Mission and its recommended program a complete success, National Government of China will do its utmost to facilitate work of specialists as well as to appropriate necessary funds for it.

It is hope of National Government of China that above proposal be given most favorable consideration by the United States Government and that appointment of mission be made an early reality.

SMYTH



102.78/1-3046: Telegram

*The Counselor of Embassy in China (Smyth) to the  
Secretary of State*

CHUNGKING, January 30, 1946—1 p. m.

[Received January 31—1 a. m.]

191. Concerning outline Agriculture Collaboration Mission to China, Embassy has no further comments and agrees with views expressed in Deptel 1359, August 29.<sup>6</sup> This matter has been discussed with General Marshall,<sup>7</sup> who has no objection. (Views regarding type of specialists considered most useful were express[ed] in [Dawson's] memos of September 13<sup>8</sup> and October 30<sup>9</sup> to which no replies have been received.) Addition of specialist on extension and cotton and soybean processing are acceptable to Ministry of Agriculture. (Sent Dept as 191, repeated Shanghai as 62, January 30, 1 p. m.)

Dawson has again discussed adequacy of arrangements with Minister of Agriculture [and Forestry.]<sup>10</sup> Vice Minister Chien<sup>11</sup> in Chungking, and they have confirmed that suitable quarters will be provided in Nanking and several other points members of Mission may wish to visit. In their opinion it seems better that Mission not arrive until about April 1 which will allow more time for full preparation of facilities and for travel conditions to improve. Collaborators and staff will be provided as agreed. It is suggested, however, that work of Mission will be greatly facilitated if one American secretary comes with Mission and Embassy so recommends, as competent stenographic help is difficult to procure locally.

Ministry would like to know names of candidates for this Mission and their qualifications in order to better plan appointment of collaborators and assistants.

Regarding Agriculture's request for availability of commissary and medical services of American Armed Forces, Embassy believes that will depend on conditions at time of arrival. These can probably be available to extent that they are to members of State Dept.

SMYTH

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<sup>6</sup> *Foreign Relations*, 1945, vol. VII, p. 1437.

<sup>7</sup> General of the Army George C. Marshall, Special Representative of President Truman in China.

<sup>8</sup> *Foreign Relations*, 1945, vol. VII, p. 1438.

<sup>9</sup> Not printed.

<sup>10</sup> Y. T. Tsur.

<sup>11</sup> Chien Tien-ho, Chinese Vice Minister of Agriculture and Forestry.

893.61/1-1646 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, January 31, 1946—8 p. m.

195. For General Marshall from Colonel Davis.<sup>12</sup> Chinese request for agricultural mission (refer Embtel 119, dated 16 January, and Dawson memo<sup>13</sup> mentioned therein for details of mission activities) now under consideration by State Department. In meantime, believe your guidance in consideration of programs of technical assistance would be most helpful.

Present State Dept plans call for an expanded program of cultural-technical cooperation throughout the world, beginning fiscal year 1947. Implementation of these plans is subject to favorable action by Congress on enabling legislation and appropriations bill. Former is so-called Bloom Bill, entitled "A Bill for the Exchange of Persons, Knowledge and Skills."<sup>14</sup> This bill in effect extends to the entire world provisions of the legislation which implemented good neighbor policy toward Latin America. Passage of Bloom Bill probable in view of fact it was voted out of House Committee on Foreign Affairs by unanimous vote.

Various civil agencies of the Government have prepared list of projects for fiscal year 1947 in anticipation of passage of Bloom Bill in time for these projects to be included in fiscal year 1947 budget. Projects will be submitted to Bureau of Budget by State Dept, which will coordinate activities of other Government departments through Interdepartmental Committee for Scientific and Cultural Cooperation. All monies for these projects are incorporated in State Dept budget. Accordingly, entire program is coordinated and controlled by State Dept, both financially and on policy basis. Each project will be implemented only after consultation with diplomatic mission in country concerned. Detailed list<sup>15</sup> of projects being forwarded by air pouch. Some of these projects are definitely earmarked for China; others are merely designated for Far East, including China. Total budget estimates for Far East projects, as approved by Interdepartmental Committee, amount to approximately 4½ million. Those specifically for China within that amount total \$1,291,000. Of balance for Far East, it is estimated approximately 50% is for China. Breakdown of projects specifically designated for China is as follows:

<sup>12</sup> James C. Davis, General Marshall's representative in Washington.

<sup>13</sup> Presumably a reference to the Dawson memoranda mentioned in telegram No. 191, January 30, 1 p. m., *supra*.

<sup>14</sup> H. R. 4982, 79th Cong., 1st sess.; introduced by Representative Sol Bloom (New York) on December 13, 1945; *Congressional Record*, vol. 92, pt. 8, p. 9591.

<sup>15</sup> Not found in Department files.

1. Department of Agriculture	
<i>a)</i> Experiment stations—technical and scientific projects	\$385,000
<i>b)</i> Exchange of persons—fellowship	39,000
<i>c)</i> Exchange of information—technical library and training program	90,914
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	\$514,914
2. Dept of Commerce—Civil Aeronautics Administration	
<i>a)</i> Chinese aviation training program	\$146,680
3. Dept of Interior	
<i>a)</i> Bureau of Mines—cooperation in the development of mining and metallurgical methods	\$76,890
<i>b)</i> Fish and Wild Life Service—fishing development	35,980
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	\$112,870
4. National Archives	
<i>a)</i> Interchange of professional personnel (archivists)	\$3,300
5. Dept of State—Division of International Exchange of Persons	
<i>a)</i> Grants and services to Chinese graduate students and trainees	\$237,000
<i>b)</i> Exchange of specialists and professors	\$276,000
	<hr/>
	\$513,000

Activities of agricultural mission during present fiscal year are possible by reason of availability of certain unvouchered funds remaining at disposal of Division of Cultural Cooperation of State Department. However, work of mission during balance of this fiscal year is being considered only as an introductory or exploratory phase of the Dept of Agriculture 1947 budget project. Dept of Agriculture is prepared to initiate mission during present fiscal year on basis of reasonable assurance of implementation of 1947 project and designation now of \$56,000 from the unvouchered funds, which is amount required to carry the mission for 6 months and finance its return to US. State Dept prepared to proceed during this fiscal year and provide this sum because of estimated probability of passage of Bloom Bill.

The only other new programs for technical assistance being contemplated for initiation with 1946 fiscal funds are technical missions of Interior Department (*a*) Bureau of Mines and (*b*) Bureau of Fisheries. Activities of these missions during present fiscal year will be financed from same source as agricultural mission, and their work would also be considered introductory and preparatory to fiscal 1947



projects of these Bureaus, description of which is contained in detailed project list being forwarded by air. Initiation of these missions is possible during present fiscal year if reasonable assurance can be given Department of Interior that 1947 funds will be allotted out of Inter-departmental Committee program for the mines and fisheries projects.

I have taken position that the fiscal 1947 budget projects of technical cooperation, which have implications of economic assistance, including any activities thereof financed with fiscal 1946 funds, should be discussed with Chinese in the aggregate as a single program and only at such time as you recommend. This would include such projects as agriculture and mining. However, projects such as the State Department program for exchange of students and professors which are of cultural nature with a long established background do not seem to me appropriate as a bargaining element in the accomplishment of your mission. President's "black out" letter (refer Deptel 2022 of 19 December 1945<sup>16</sup>) in suspending all conversations with Chinese officials except in accordance with your recommendations refers to "extension of American economic or financial aid to China." Accordingly, I have interposed no objection to continuation of discussions with Chinese on programs designed for purely cultural development. Your instructions with respect to my position on these points will be appreciated.

There is pressure here to discuss projects with Chinese individually, particularly those which can be initiated with fiscal 1946 funds. I understand that technical cooperation in the agricultural field is considered important by Chinese Government and that similar situation exists with respect to the mines and fisheries projects. Although it may be advantageous to initiate technical missions during this fiscal year and thus have the benefit of an additional 2 or 3 months to get programs under way, their activities during this period are being considered by Departments of Agriculture and Interior as preparatory to their 1947 budget projects. Timing of the decision in this matter is important to the State Dept because if delayed, it might not be possible to divert unvouchered funds to other uses during present fiscal year. However, I consider that these factors are overbalanced by the bargaining power to be gained by you in having all the 1947 projects of technical cooperation negotiated with the Chinese as a single over-all program at the time you consider most favorable.

An alternative would be to discuss separately with Chinese now the agriculture project and the Bureau of Mines and Fisheries projects, if they can be initiated during present fiscal year, and leave the balance of the 1947 projects to be discussed as a unit at a later date.

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<sup>16</sup> *Foreign Relations*, 1945, vol. VII, p. 1376.

However, the agriculture, mines and fisheries projects constitute greater portion of bargaining power to be gained from the program of technical cooperation and should be accordingly discussed only at the most favorable time. Moreover, the activities of these missions during present fiscal year is no more than an initial phase of the 1947 projects and cannot be separated from such projects in any negotiations with Chinese.

Would appreciate your views and recommendations as to course and direction which further negotiations with Chinese should take in the field of technical-cultural cooperation. [Davis.]

BYRNES

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S93.61/1-1646 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, February 6, 1946—8 p. m.

239. Dept and Agriculture now able for first time to reply in detail to Chinese request (Embtel 119, January 16, and Dawson's unnumbered memorandum of January 5<sup>17</sup> transmitting copy of Foreign Ministry note of October 26, 1945.<sup>18</sup> Reference also Embtel 191, January 30 and Embtel 203 February 2<sup>19</sup>). Subject to renewed approval of the project by General Marshall in the light of Dept's 195, January 31, and subject to agreement of Embassy and Chinese Government to points below which diverge somewhat from Chinese note, Dept and Agriculture prepared to proceed immediately.

Agriculture makes following points in reply to Chinese note: Mission of eight experts is to operate as a unit under a chief who is to utilize specialized knowledge of members of mission in consulting with Minister of Agriculture on China's agricultural program and in recommending overall programs in which the two governments might collaborate.

Reference directly to numbered paragraphs of Chinese proposal.

1. Agreed, but time required recruit highly-qualified personnel may not permit mission leaving States before end April or soon thereafter.

2. Agreed, with Mission in China approximately 6 months.

3. Agreed on experts for tung oil, silk, carpet wool, tea, soybean processing. Negotiating with Department Interior to attach fisheries expert to Mission. Secretary will be supplied with Mission.

4. Commodity experts are part of Mission and will assist in development of recommendations for continued technical collaboration foreseen in paragraph 5. In view possibility continued collaboration,

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<sup>17</sup> Not printed.

<sup>18</sup> See telegram No. 119, January 16, p. 1268.

<sup>19</sup> Telegram No. 203 not printed.

effort being made to recruit specialists who would remain in China.

5. Mission in association with Chinese officials will report recommendations which would be basis for possible development of Memorandum of Understanding between two governments providing for continued technical collaboration.

6. Because of recruitment time limit suggest Chinese government designate representative in United States as consultant on selection of Mission members.

7. Agreed

8. Agreed

9. Training program will be formulated by Mission in consultation with Chinese authorities for subsequent negotiation between two governments.

Where above conflicts with previous correspondence present provisions supersede earlier ones. If General Marshall approves proceeding with negotiations, request cable reaction of Chinese Government to proposed details this tel so Agriculture can proceed with recruitment.<sup>20</sup> Names and qualifications of members of mission will be reported for information of Embassy and Chinese Government as soon as determined.

Repeated to Shanghai as 187.

BYRNES

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811.42793/2-1446 : Telegram

*The Counselor of Embassy in China (Smyth) to the  
Secretary of State*

CHUNGKING, February 14, 1946—8 p. m.

[Received February 14—4:08 p. m.]

287. For Colonel Davis from Gen Marshall. Technical and cultural collaboration programs.

There is no objection to continuation of current discussions with Chinese regarding the projects for cultural and technical collaboration discussed in Department's telegram 195, January 31, 8 p. m. Close coordination of several programs by Department of State with provision for consultation with Embassy on individual projects is essential but it is not considered desirable or necessary to regard any or all of the projects outlined as bargaining weapons.

In reply specifically to Department's telegram 239, February 6, 8 p. m., there is no objection to Department's going forward with plans as outlined for agricultural collaboration mission. Views of Depart-

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<sup>20</sup> In a note of February 14 to the Chinese Minister for Foreign Affairs (Wang), the Embassy set forth the above views of the Department of Agriculture and requested views on the various provisions (Nanking Embassy files, Lot F79, 861 Agricultural Mission).



ment and Agriculture on points concerning this mission have been communicated to the Chinese Government and forwarded to Dawson Shanghai.

It is agreed that each of the proposed projects should be dealt with as part of the coordinated program of technical and cultural cooperation which can be so presented to the Chinese and which fits into the whole of American policy and programs for assistance to this country. The timing of such presentations and of public announcement thereof should be decided in consultation with me.

The subject of this is an excellent example of the necessity for developing a sound coordinating and operating procedure under the Ambassador here in China as well as in the State Department. Otherwise we will eventually have a great complication of various projects, experts, etc., scattered throughout the country. At a later date I will submit a concrete proposal for the future organization of an appropriate businesslike operating agency within the Embassy to avoid confusion by coordinating on the ground American governmental agencies at work out here. [Marshall.]

SMYTH

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811.42793/2-1446 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, February 26, 1946—2 p. m.

342. For General Marshall:

Technical and cultural collaboration programs. Department gratified by your suggestions for handling technical and cultural collaboration programs in China (refer Embtel 287, February 14, 1946). You are assured of full cooperation of the Department.

BYRNES

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Nanking Embassy Files, Lot F79, 861 Agricultural Mission

*Mr. Leslie A. Wheeler*<sup>21</sup> *to the Agricultural Attaché in China*  
(Dawson), at Shanghai

WASHINGTON, March 27, 1946.

DEAR MR. DAWSON: In preparing for the Agricultural Mission to be sent to China, Messrs. Moore, Buck, and Moyer,<sup>22</sup> who are working on this matter, have found certain questions on which clarification

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<sup>21</sup> Director of the Office of Foreign Agricultural Relations (O. F. A. R.), Department of Agriculture.

<sup>22</sup> Ross E. Moore, J. Lossing Buck, and Raymond T. Moyer, O. F. A. R., Department of Agriculture.

with the Chinese Government seems required. A statement of these points is given in a separate memorandum, attached.

*Objectives of the Mission.* These are in general consistent with your statement of them in the memorandum presented to General Marshall, January 23, 1946;<sup>23</sup> and the same ideas are brought out in our reply to the Chinese Government request, Cable No. 239, February 6, 1946. In emphasis, however, they may differ from what is implied in the Chinese request; so we wish to be certain that an understanding exists.

There follow the reasons why we favor the objectives as stated:

(a) In respect to objective 1, we feel that a strong central agency organized to include and integrate national action in the implementation of China's agricultural program is of first importance to the effectiveness of her unilateral effort and to the success of the proposed technical collaboration between our two countries. Therefore, along with the determination of the agricultural program, we are emphasizing organization and administrative considerations to implement it. If this is accepted, the "Research Specialist" requested for the Mission should be a man especially qualified in the organization and administration of public services in agriculture rather than one who would confine himself to a research program. Although advice in a research program will be provided for specific commodities by the "special commodities group," in a national program, research is only a part of objectives 1 and 2 and the long-term collaborative program may subsequently require a research consultant as well as consultants in such fields as extension, education, and other subject-matter disciplines.

(b) In respect to objective 2, President Truman has stated:<sup>24</sup> "As China moves towards peace and unity . . .<sup>25</sup> the United States would be prepared to assist the National Government of China in every possible way . . . to improve the agrarian economy." With this statement in mind, it seems probable that the scope of collaboration may include other fields of effort than those included in the present request of the Chinese government. Therefore, we would prefer that this Mission help develop the probable over-all agricultural program of China, and within this program recommend specific fields for comprehensive collaboration.

(c) Although funds available to the Department of Agriculture do not extend beyond the six months' period allowed to the Mission, it is anticipated that authority and funds will be available for long-term collaboration. Therefore, it seems wiser that the efforts of the Mission be largely confined to planning, as stated in objectives 1 and 2, along with such immediate assistance as might be given under objective 3.

<sup>23</sup> Memorandum by Mr. Dawson to the Counselor of Embassy in China, not printed; marginal notation by Mr. Smyth to Mr. Dawson stated: "Shown to Gen. Marshall Jan. 24 who says he has no objection. RLS".

<sup>24</sup> Statement of December 15, 1945, on United States policy toward China, Department of State, *United States Relations With China* (Washington, Government Printing Office, 1949), p. 607.

<sup>25</sup> Omissions indicated in the original.

*Members of the Mission and Their Qualifications* follow pretty closely the suggestions made in communications which you have forwarded from China, with the exception of the "Research Specialist" already discussed. We have set up qualifications in the personnel for special commodities which will provide an integrated Mission and enable it to advise on basic problems other than those specifically requested as foreseen in (b) above.

Our conversations here, especially with Mr. K. S. Sie, in respect to special commodities, have emphasized that comprehensive advice for each commodity should be supplied insofar as possible. We of course agree with this position and our programs in Latin America are carried out on this basis. Competence in credit and marketing and in extension—essential fields in a comprehensive program—is lacking in the special commodities group if only a specialist for each commodity is supplied. Therefore, we are suggesting the addition of a credit and marketing specialist and of an extension specialist to this group. (It will be noted that the special commodities group, if desired, will be able to advise on certain interrelated problems in the fields of chemical processing, agricultural engineering, animal husbandry, credit and marketing, and extension.)

In regard to the extension specialist, we will be unable to include a ninth member of the Mission. You have been requested by cable to investigate the possibility of making available to this Mission the assistance of Mr. B. L. Hummel. We understand that Mr. Hummel has been assigned to the Chinese National Government by UNRRA<sup>26</sup> as Extension Specialist to advise on problems of a national program. His advice should be available to the Mission without detracting from the rehabilitation program.

In view of the policy as stated by President Truman and the importance of this Mission, we are considering taking steps here to have the Mission accredited to the National Government rather than to the Ministry of Agriculture and Forestry. We hope to consult with General Marshall in this regard before his departure from the United States.

Will you kindly consult with appropriate officials to assure that there is complete understanding of the program as outlined herein, and cable us as to its acceptance resulting from your discussions. Since time will not allow that we delay all action in obtaining personnel for this Mission until a reply to these questions has been received, we shall begin shortly with preliminary steps. If your knowledge of the situation makes you think that a serious difference of opinion may exist on any point covered in this communication, we think it well that

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<sup>26</sup> United Nations Relief and Rehabilitation Administration.



you advise us to this effect at once. The Mission will not finally be made up until word on all questions raised has been received.

With kind regards [etc.],

L. A. WHEELER

[Enclosure]

[WASHINGTON, March 27, 1946.]

OBJECTIVES OF A PROGRAM OF TECHNICAL COLLABORATION IN  
AGRICULTURE\*

1. Assuming that the general objectives of the United States with regard to China include the development of a strong and unified China and the growth of an expanding trade between these countries, it must be our more specific objective to encourage a simultaneous development of China's agriculture and industry, for the following reasons:

*a.* The market for American goods in China is largely a potential market, which will exist only after it has been developed. For this development there is required the establishment of a greatly expanded industry to utilize the goods which we wish to sell.

*b.* Large-scale and sustained developments in industry, on the other hand, will take place only if there is a large increase in the domestic demand for goods and services that industry can provide, and this demand will be created only when the rural population of China has the surplus purchasing power brought about by an increased per capita output of farm products.

*c.* The development of China's agriculture also will help: (1) to produce materials for export, in order to pay for goods imported; and (2) to establish the more favorable economic basis necessary to the achievement of internal stability and unity.

2. In addition to serving these general interests of the United States, it would be the further objective of a program of technical collaboration to serve the following particular interests of American industry and agriculture:

*a.* The United States, in the past, has been a large consumer of certain, largely non-competitive, agricultural commodities produced in China, such as tung oil, silk, tea and carpet wool, and a considerable quantity of some of these products might be brought from China after the war, to the advantage of both countries, if improvements are made in their production, standardization, processing and marketing.

*b.* The United States has been greatly benefited in the past by developments based on plant material originating in China—the soybean and the citrus industries being notable examples—and it is certain that there might still be brought from China a great deal which

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\*Set forth by the Office of Foreign Agricultural Relations, United States Department of Agriculture. [Footnote in the original.]

potentially is of value to American agriculture, in plant and animal materials as well as in farm practices developed in the course of centuries of trial and error.

To assist in accomplishing these ends, deemed favorable to the two countries concerned, and without an intention to exploit any potential resource for the benefit of our country alone, the Department of Agriculture favors the lending of assistance to China in developing its agriculture through programs of technical collaboration, in line with the stated objectives.

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102.78/4-1846 : Telegram

*The Counselor of Embassy in China (Smyth) to the  
Secretary of State*

CHUNGKING, April 18, 1946.  
[Received April 18—6 a. m.]

699. ReDeptel 562, April 4<sup>23</sup> from Agriculture to Shanghai and in response to Embassy's note of February 14<sup>29</sup> concerning draft proposals for technical collaboration in agriculture and forestry between China and the US, following reply under date of April 12 has been received through MinFonAff<sup>30</sup> from MinAgric :

"The revised proposals as put forward by the American authorities are all agreeable. With regard to proposal No. 6, in which it was suggested that the Chinese Government designate a representative in the United States to advise in matters concerning the selection of the personnel of the delegation, Dr. Raymond Moyer who is now serving in the United States Department of Agriculture and is concurrently an honorary member of the rehabilitation committee of the Ministry of Agriculture and Forestry of China is hereby commissioned to attend to such matters in the United States."

Sent Department 699; repeated Shanghai for Dawson 301.

SMYTH

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102.78/4-3046 : Telegram

*The Consul General at Shanghai (Davis) to the Secretary of State*

SHANGHAI, April 30, 1946.  
[Received April 30—3:10 a. m.]

734. For Agriculture from Dawson. Reference Wheeler's letter of March 27 regarding objectives and qualifications of agricultural mis-

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<sup>23</sup> Not printed.

<sup>29</sup> Not printed, but see footnote 20, p. 1275.

<sup>30</sup> Wang Shih-chieh, Chinese Minister for Foreign Affairs.

sion proceeding to China sometime in June, McDaniel <sup>31</sup> and I recently conferred with Minister and Vice Minister at some length on this subject.<sup>32</sup> I have also briefly contacted Dr. Sie, just recently returned from Washington, who is conferring further with the Minister explaining further your conferences in Washington this subject.

Results our conferences Minister and Vice Minister as follows:

1. Ready agreement on all points regarding objectives.
2. Revised setup on types and qualifications of members seems an improvement over previous lines.
3. Endeavor will be made to name collaborators as soon as possible. In some cases it will be difficult to secure persons who can devote all of their time to the work but the best possible arrangement will be carried out and I believe able representatives will be secured.
4. Steps have been taken to ask the Executive Yuan to extend invitation that mission be attached to that body. This will give the mission the technical position that you suggest desirable so far as possible but responsibility for planned activities will be assigned the Ministry [of] Agriculture by Executive Yuan. Dr. Shen,<sup>33</sup> more closely identified with this project from its conception than anyone in Ministry, will meet mission when it lands and he and members of this office will spend some time with them.
5. Tentative program for mission being made out by Dr. Shen for Minister Agriculture. Summary will be radioed to you later. Now plan mission spend some time Shanghai and make contacts from this center, then travel other points necessary for survey, only considering Nanking as point of travel. As now planned mission will make headquarters in Nanking. Final report and conferences Ministry officials will probably be held there. Minister just called that Dr. Sie is nominated representative if Moyer cannot act as prearranged suggested my radio 714, April 26.<sup>34</sup> [Dawson.]

Sent to Department as 734; repeated to Nanking as 419.

DAVIS

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893.61A/6-1846: Telegram

*The Acting Secretary of State to the Embassy in China*

WASHINGTON, June 18, 1946—4 p. m.

322. Following text of letter dated June 17, 1946 addressed to "His Excellency Generalissimo Chiang Kai-shek, President of the National Government of the Republic of China, Nanking, China" by the President is being sent by June 19 air mail pouch.<sup>35</sup>

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<sup>31</sup> Bruce W. McDaniel, Assistant Agricultural Attaché in China.

<sup>32</sup> The conference was reported in telegram No. 714, April 26, from the Consul General at Shanghai, not printed (102.78/4-2646).

<sup>33</sup> Shen Tsung-han, Director of the Chinese National Research Bureau.

<sup>34</sup> Not printed.

<sup>35</sup> Instruction No. 613, June 19, to the Embassy in China, not printed.



"My dear President Chiang: I am happy to inform you that in response to the request of the National Government of the Republic of China this Government is sending to China a group of eight agricultural specialists under the leadership of Dean C. B. Hutchison to work jointly with agricultural leaders appointed by the Government of China on problems relating to the development of China's agriculture. This mission will be ready to leave for China the latter part of June. A list of its members is attached.

"I am pleased that this arrangement is to be carried out because it is my firm belief that any plan for cooperation in economic development between our two countries should include agriculture, the major source of income for such a great proportion of China's population. In the experience of the United States, agricultural improvement has been found so important in promoting security, producing industrial raw materials, providing markets for industrial products, and raising the level of living that we believe a successful national development cannot be assured unless the development of agriculture proceeds simultaneously with the development of other elements in the national economy.

"While we hope that our agriculturists on this mission may be able to render substantial service toward the betterment of China's farming, we also are aware that our own agriculture is already indebted to your country for valuable agricultural material which has been introduced into the United States. Moreover, we still have much to learn from Chinese agriculture.

"A higher level of living for the whole of China's population, which can hardly be achieved without a strong development of agriculture, is the necessary foundation for the achievement of results that will benefit both of our countries, including an expansion of complementary trade and the development of China's industrial program.

"It is in this spirit of sharing in an endeavor of great potential value to our two countries that the American members of this mission are visiting your country. I shall receive with interest the report of this group.

"I am asking General of the Army George C. Marshall to deliver this letter in person. I wish to convey with it an expression of my warm personal regards to you and the continuing interest of our people in the welfare of your country. Very sincerely yours, Harry Truman."

List of personnel of mission as follows:

"Dr. C. B. Hutchison, Dean, College of Agriculture, University of California, Berkeley, California.

"Mr. Charles E. Seitz, Virginia Polytechnic Institute, Department of Agricultural Engineering, Blacksburg, Virginia.

"Mr. Charles J. Huber, 609 Belvidere Avenue, Plainfield, New Jersey.

"Dr. Robert H. Burns, College of Agriculture, University of Wyoming, Laramie, Wyoming.

"Dr. Harley L. Crane, Bureau of Plant Industry, Soils and Agricultural Engineering, Beltsville, Maryland.

"Dr. J. Lossing Buck, Office of Foreign Agricultural Relations, United States Department of Agriculture, Washington, D. C.

"Dr. Raymond T. Moyer, Office of Foreign Agricultural Relations, United States Department of Agriculture, Washington, D. C.

"Dr. H. C. M. Case, Head, Department of Agricultural Economics, University of Illinois, Urbana, Illinois.

"Miss Merle Lucille Arras, Office of Foreign Agricultural Relations, United States Department of Agriculture, Washington, D. C.

"Mr. B. L. Hummel and Mr. R. A. Nesbit now in China with UNRRA."

Since letter may reach China after arrival of mission Emb (or Gen Marshall if he so desires) is requested to present copy of telegraphed text to Generalissimo. Also make copies available to Commercial and Agricultural Attachés<sup>36</sup> Shanghai.

ACHESON

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893.61A/8-246 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, August 2, 1946.

[Received August 2—7:15 a. m.]

1248. Minister of Agriculture today delivered to Embassy following letter dated July 31, 1946 Nanking, China from Generalissimo to President Truman in response to President's letter June 17, 1946 concerning United States agricultural mission to China:

"My Dear President Truman: It gives me great pleasure to acknowledge receipt of your letter of June 17, 1946, delivered in person by General of the Army of the United States, George C. Marshall. We are very appreciative of the splendid response you have made to the request of this Government for the despatch of an agricultural technical mission to this country.

We have been for centuries primarily an agricultural nation. The farmer is traditionally regarded with affection and respect. During recent times, unfortunately, our agricultural technique has fallen behind due to delay in the adoption and application of new scientific methods. I am keenly conscious of the fact that unless and until Chinese agriculture is modernized, Chinese industry cannot develop, as long as industry remains undeveloped, the general economy of the country cannot greatly improve. For this reason, I heartily agree with you that any plan for cooperation in economic development between our two countries should include agriculture.

I feel highly complimented by your statement that China has contributed some valuable material to your agriculture. I sincerely hope that, through your co-operation, we shall be able to make further significant contributions to this field, for the benefit of mankind.

I congratulate you upon the happy selection that you have made of the personnel constituting your mission. On our part, we have chosen a corresponding number of men of high quality and long

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<sup>36</sup> A. Bland Calder and Owen L. Dawson.

experience to work in conjunction with your mission. Already the spirit of cooperation between the two groups is evident. It is my firm belief that the two groups working together will succeed in evolving plans and projects which will prove beneficial to China as well as helpful to the development of economic and trade relations between our two countries.

We are now actively taking up the work of national reconstruction. Agricultural improvement being the foundation of such reconstruction, I assure you that the work of your mission will receive my continued attention and support.

I avail myself of this opportunity to convey to you my warmest regards and highest esteem. Very sincerely yours, signed Chiang Kai-shek".

Original Chinese text of letter has already been released to press here and English text may be released at will in United States. Original Chinese text and translation of letter being forwarded airmail.<sup>37</sup> Minister of Agriculture express[ed] regret to Embassy for long delay in responding President's letter.

STUART

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Nanking Embassy Files, Lot F79, 861 Agricultural Mission

*Final Press Release of the China-United States Agricultural Mission*

NANKING, November 16, 1946.

In October 1945, the National Government of the Republic of China presented to the Government of the United States a proposal for technical collaboration in agriculture and forestry.<sup>38</sup> Following subsequent discussions of this proposal, the two Governments agreed to create a joint China-United States Agricultural Mission to outline a broad and comprehensive program for agricultural development in China.

The American members of the Mission arrived in Shanghai on June 27, 1946, where they were joined by the Chinese members. Several weeks were spent in Shanghai and Nanking conferring with officers of the Government, business men, and others. The Mission then divided into groups for travel and first-hand observation in different parts of China. During eleven weeks of travel, fourteen provinces and Taiwan were visited.

The great importance of a balanced and progressive agricultural program to the well-being of the nation is evident. Whatever affects directly the welfare of agriculture and the seventy-five percent of

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<sup>37</sup> As enclosures to despatch No. 23, August 2, from the Ambassador in China, not printed.

<sup>38</sup> See telegram No. 119, January 16, from the Counselor of Embassy in China, p. 1268.



China's population engaged therein, affects the welfare of every citizen. Agriculture produces much of the raw materials needed by industry. Products of agricultural origin also form an important source of foreign exchange, which China will require for the purchase abroad of equipment and certain raw materials needed for the development of industry. Before the war agricultural commodities accounted for about seventy percent of the value of China's total exports.

This Mission is convinced that agricultural production in China can be substantially increased and the welfare of the farmer advanced by the application of modern scientific knowledge to the improvement of soils, crops, livestock and farm equipment. It is also confident that the economic position of the Chinese farmer can be greatly advanced through long needed improvements in farm credit, land, tenancy, taxation and agricultural marketing.

### RECOMMENDATIONS

Realizing the importance of a program broad enough to solve the deep-seated problems in the present rural situation, this Mission is presenting to the two Governments a report of its findings in which the principal recommendations are:

1. That an integrated program of agricultural instruction, research and extension be developed by the Ministry of Agriculture and Forestry and the Ministry of Education working together, which would function through six central research bureaus located at the capital, nine strong regional centers situated in the main agricultural areas of the country, and appropriate agencies of the provinces and hsien.

2. That action be taken to provide more adequate farm credit and at lower cost, to assist farmers in marketing their products; to improve the conditions of tenancy wherever serious problems now exist; and to provide for a better balanced and more equitable system of land taxation.

3. That there be established a single Government sponsored bank to serve agricultural credit needs, to be known as the Agricultural Bank.

4. That there be established in the Ministry of Agriculture and Forestry a National Agricultural Regulatory Administration to enforce standardization and market regulations governing agricultural products.

5. That the Government give serious consideration to ways of solving the problem created by pressure of population on the relatively limited agricultural resources of the nation which unless eased could offset the benefits of increased agricultural production and industrial development if the present trend toward population increase continues.

6. That increased emphasis be placed on the construction of chemical fertilizer plants; on the development of irrigation; on the improvement of plants and animals and their protection from insects and diseases; on reforestation and the scientific management of

present forest stands; on the production of fruits, vegetables, and livestock to improve diets and nutrition; and on statistical services to provide current information on crop and livestock production and the market situation.

7. That definite measures be initiated immediately to encourage the export of important agricultural commodities, now being seriously restricted through the present currency exchange rate and high costs of inland transportation and credit.

This Mission recognizes that time will be required to carry to completion some of its recommendations, but early results can be achieved in many parts of the program by prompt and definite action. It suggests that immediate steps be taken to expand and set up the agencies required by the program by making use of the competent personnel now available and by training additional personnel needed.

To give effect to these recommendations, substantial increases in appropriations will be required. This in the judgment of this Mission, would be a sound national investment which would promote the whole public welfare and increase the national income.

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Nanking Embassy Files, Lot F79, 861 Agricultural Mission

*Dr. Claude B. Hutchison to the Ambassador in China (Stuart)*

SHANGHAI, November 19, 1946.

MY DEAR AMBASSADOR STUART: When we were in Nanking you spoke of your conviction that effective Government action to improve certain rural conditions is necessary to a fundamental solution of China's present political difficulties. En route to Shanghai and since arriving here, we have discussed this matter in some detail with Minister Y. T. Tsur, and have made to him some definite suggestions for a forthright Government program that might accomplish these ends. Our proposals are along lines suitable for immediate action which we think would lead to early results.

For your reference they relate to the following: (1) agricultural credit; (2) land taxation; (3) farm tenancy; (4) agricultural extension; (5) chemical fertilizers; and (6) irrigation.

Our suggestion would be that planning for such a program be initiated as early as possible at the highest levels of Government, with instructions to the appropriate agencies to prepare sound and practical plans for procedure.

We believe that, on the whole, the recommendations of the Agricultural Mission provide a sound basis for planning, but detailed plans to give effect to a program are needed. It may well be that a limited number of foreign specialists to help work out such plans would be helpful.

It occurs to us that the recent turn of events makes this a very opportune time for the Government to announce its determined policy to improve agricultural conditions in China with a definite program along these six lines which need immediate emphasis. I am told that Minister Tsur expects to present this idea to Premier T. V. Soong. Perhaps you may wish to discuss these matters with President Chiang and Dr. Soong.

I am writing to General Marshall today along the same lines.

Very sincerely yours,

CLAUDE B. HUTCHISON

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893.50/11-2546 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, November 25, 1946—11 a. m.

[Received November 25—3:33 a. m.]

1959. Joint China-United States mission report just submitted lays special stress upon economic problems of agriculture affecting welfare of rural population and that early action be taken upon land reform, tenancy and related problems.

Communist Party has long alleged inaction on part of Government on such problems while claiming to have accomplished significant reforms in its areas. However, little evidence is available to show the extent and value to population affected of any such reforms.

Department can have better basis for its policy in aiding China toward stability if it has at hand actual information based upon surveys by competent American observers in recently released Communist territory. Such surveys would be of most value if begun in near future.

Moyer and Dawson have discussed this with Embassy and Dean Hutchison agrees that idea is worthy of action. Department may wish to take this up with Dr. Moyer and Dean Hutchison upon receipt of this message.

If suitable candidates can be found in consultation with Agriculture, Embassy asks that Department arrange for the detail of one or two specialists to Embassy for say one year's duration to make such a survey and report their findings to Department.<sup>39</sup>

STUART

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<sup>39</sup> Telegram No. 61, January 15, 1947, 4 p. m., to the Embassy in China stated: "Substance Embtel's 1959 Nov 25 has been discussed exhaustively with Agriculture and members of joint mission. Project meets with general approval but lack of funds Agriculture and State prevent implementation." (893.50/11-2546)



Nanking Embassy Files, Lot F79, 861 Agricultural Mission

*Memorandum by the Agricultural Attaché in China (Dawson) to the Ambassador in China (Stuart)* <sup>40</sup>

[SHANGHAI,] November 25, 1946.

Subject: Information Received from Dr. T. H. Shen of the Ministry of Agriculture during Conferences in Nanking on November 21 and 22 on the Subject of Programs To Be Initiated As Soon As Possible to Carry Out Important Features of the Mission's Recommendations with Comments Thereon Relating to Action.

Reference is made to the letter of Dean Hutchison to the Ambassador under date of November 19 emphasizing certain features of the Mission's recommendations as suitable for immediate action to obtain early results. These proposals relate to the following lines:

1. agricultural credit;
2. land taxation;
3. farm tenancy;
4. agricultural extension;
5. chemical fertilizers;
6. irrigation.

In order to follow up the matter closely, I came to Nanking on November 21 and had two long conferences with Dr. T. H. Shen of the Ministry of Agriculture and Forestry. I was pleased to find that he had gone ahead and drawn up a tentative outline of an extension program which he has been discussing with the Minister and which can soon be presented in its final form. This outline with a brief statement of points Dr. Shen considers important under the other subjects mentioned above is attached for the Embassy's information.

All the other subjects beside extension, including agricultural credit, land taxation, farm tenancy, chemical fertilizer and irrigation, concern other ministries or Government agencies beside the Ministry of Agriculture and Forestry. It is therefore hoped that the Executive Yuan as soon as possible will direct the other ministries concerned to draw up programs for the next year in consultation with the Ministry of Agriculture and Forestry, represented by Minister Tsur and Dr. Shen as most familiar with the whole program. The ministries chiefly concerned with the above are:

Ministry of Education;  
Ministry of Finance;  
Land Administration;  
Ministry of Social Affairs;  
Water Conservancy Commission.

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<sup>40</sup> Transmitted to the Ambassador in China by the Consul General at Shanghai (Davis) in his despatch No. 125, November 25, not printed.

When such action is taken the Embassy will be in a better position to recommend that our Government consider in what ways it may be able to collaborate in the most helpful way in working out plans to give effect to the mission's recommendations so far as means are available in the absence of the Bloom bill legislation.

This is the first mission of its kind bearing upon possible economic collaboration between China and the United States, and its success, if measured by significant results in following out its recommendations, will be a most hopeful sign looking toward any future plans or arrangements for assisting the Chinese Government in educational, economic, and allied fields.

First of all, I believe the Ministry of Agriculture needs more support and encouragement by the higher authorities to carry into action the extension program, the main features of which are in the outline attached. The proposed system of radio broadcasts, if it can be carried far enough into the villages, goes further than any means I know of at present to stir up interest in the people as to what the central and provincial governments are doing for them. This could well help in the newly released Communist areas.

Along with this, the other items proposed for immediate action mentioned above need early consideration and program plans for the next year by the ministries and agencies concerned and consultation with the Ministry of Agriculture to give substance to the whole program of improving the welfare of the farming population.

It was under the present Minister of Agriculture, Dr. Y. T. Tsur, that the joint agricultural mission was proposed to our Government. He has since followed the work of the mission closely and is familiar with its recommendations. I know he feels the importance of the recommendations for China's welfare and help in the solution of some of her present problems. He has stated in his letter to the Secretary of Agriculture, Clinton B. Anderson, that he will do what he can to act upon the recommendations of the mission. He is now in close contact with personnel in his ministry best able to carry out the programs needed.

I therefore believe it of great importance to achieving significant results hoped for in the immediate future that he continue in office for one year or two to see the program well under way. The interest and knowledge of the present minister and his sincere intentions to help the program might not soon be developed in a new minister, and other factors might also delay and hamper action in the important initial stages. It is hoped that higher officers of the Chinese Government will appreciate this situation if the matter of changing ministers should come up.

Dr. Tsur seems somewhat conservative in asking his Government for necessary means in pushing the program forward as fast as circumstances would seem to fully warrant. More encouragement from higher levels is needed to give him the necessary confidence.

I shall follow closely and keep the Embassy informed regarding developments in the Ministry of Agriculture in making plans to carry out the urgent recommendations of the mission.

O[WEN] L. D[AWSON]

[Annex]

*Memorandum by Dr. T. H. Shen of the Chinese Ministry of  
Agriculture and Forestry*

AGRICULTURAL EXTENSION: IMMEDIATE STEPS TO BE TAKEN

I. Regarding Organization

1. To reorganize the present National Agricultural Extension Commission on the functional basis as outlined in the Mission's report.
2. To establish four of the proposed regional extension offices at the following places: *a*) Nanking; *b*) Peiping; *c*) Wuking; and *d*) Wuchang.
3. To locate four demonstration areas in the four regions mentioned above. These areas should be staffed, equipped, and supplied as completely as possible from the beginning, and should be organized on a hsien basis with special demonstration area personnel serving in a supervisory capacity.
4. To strengthen the 14 provincial extension offices already established and the hsien extension offices within these provinces; to help establish district extension offices as a liaison between the provincial and hsien offices.

II. Regarding Program for the year 1946

1. To establish a broadcasting network in each of the four regions. Central Extension Office broadcasts to be made to regional as well as provincial extension offices which will rebroadcast with additions of their own program to hsien and village units. The contents of the radio program should include:
  - a*) Crop reports
  - b*) Marketing prices on agricultural commodities
  - c*) New ideas and practices in the field of Agriculture
  - d*) Information on agricultural policies and government improvement measures relating to such subjects as credit, tenancy and taxation, and regulations pertaining to agriculture.



- e)* Rural health and nutrition
- f)* Prevention of insect pests and animal diseases
- g)* Recreation such as music and opera
- h)* Others
- 2. Increased production on food and cotton crops
  - a)* Multiplication and extension of better varieties
  - b)* Extension of fertilizers
  - c)* Control of plant diseases and insect pests
  - d)* Extension or improved farm implements
- 3. Increased production on export commodities such as tea, silk, tung oil, and carpet wool.
- 4. Promotion of rural industries and special projects
  - a)* Processing agricultural products
  - b)* Poultry raising
  - c)* Hog raising
  - d)* Fresh water fish production
  - e)* Handicraft
  - f)* Vegetable garden and fruit orchard
- 5. Promotion of public works
  - a)* Small scale irrigation system
  - b)* Soil conservation
  - c)* Tree planting and forest protection and management
  - d)* Utilization of public buildings and lands
  - e)* Development of public property as village forests
- 6. Assistance to farmers' organizations
  - a)* Farmers' associations now legally established
  - b)* Cooperatives (including selling, buying and credit cooperatives)
  - c)* Local farmers' clubs
  - d)* Farm women's clubs
  - e)* Clubs for rural youth

#### FARM TENANCY

The problems of tenancy in China may be solved in part by either of two approaches: first, farm leasing practice may be improved, or, second, capable tenants may be assisted in becoming farm owners through an improved farm credit system.

Equitable farm lease forms should be prepared and enforced by the Ministry of Agriculture and Forestry on the basis of available information and in conformance with the provision of the Land Law of 1946 limiting landlords to an 8 percent return on their investments and other provisions which tend to improve farm leasing practices.

The second method of improving the tenancy situation is to provide credit and proper assistance to enable the capable tenants to purchase

farms of their own. Before adopting a policy for the extensive development of tenant-purchase projects, selected groups of tenants should be organized and financed in well planned and supervised projects to determine the practicability of extending such projects further. Perhaps 3 to 5 places should be selected in each province of the agricultural regions for a trial beginning.

## LAND POLICY

### *1. Land survey and Registration*

Procedures of land survey that have been employed in China and elsewhere should be carefully studied in order to perfect methods for use in all of China. Aerial photography provides a good means of expediting a national land survey. Sample areas should be photographed and interpreted as a means of perfecting methods for facilitating the task.

As soon as land surveys of the hsien are completed, land registration should be carried out promptly.

### *2. Conservation and Development of Land Resources*

The Ministry of Agriculture and Forestry should be charged with the responsibility of the overall conservation and development projects in some selected problem areas in land use. In these problem areas, land survey, land registration, and land classification are the first things to be completed before any conservation or development measures are to be carried out. To the benefit of the whole area, co-ordinated efforts should be taken to undertake the land use and resources development projects in approaching the area as a whole.

### *3. Equitable land taxation*

An equitable system of land taxation can be insured when the provisions of the Land Law of 1946 respecting the taxation of land on the basis of its true value and the taxing of the advance in land values are strictly enforced. Enforcement of the provisions of the Land Law providing for a progressive tax on large land holdings is also very essential and an immediate program should be planned through the Ministry of Land Administration.

### *4. Rural Credit*

a) More credit at lower rates of interest for farmers is essential. The recommendation of the Mission that all agricultural banks be incorporated into one will help to reduce expenses and facilitate loaning operations. Such agricultural bank to make loans in kind so far as possible.

b) A tenant purchasing plan to enable worthy tenants to purchase land should be provided for by the issuance of land bonds.

c) Foreign loans may be sought for aiding projects relating to fertilizer manufacture, agricultural implement factories and small scale irrigation projects.

*5. Chemical fertilizer and irrigation*

Recommendations regarding these matters are covered in the report and programs of action covering the next year should be drawn up at once so that progress will be apparent to the public within that period.

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893.61A/1-747

*The President of the Chinese Executive Yuan (Soong) to the  
Secretary of State*<sup>41</sup>

No. 523

NANKING, December 18, 1946.

DEAR MR. SECRETARY: Now that the Chinese-American Mission on Agricultural Collaboration has completed its work, I wish to express to you my appreciation of the excellent work of the American section of the Mission.

Immediately after their arrival in June, arrangements were made for the American members to meet with government officials, agricultural specialists, business leaders and others well informed and interested in agriculture and foreign commerce. I conferred with Dean Hutchison in Shanghai and the whole Mission in Nanking and so had the opportunity to participate in mapping out their program and their survey trip.

The eleven members of the Mission visited fourteen provinces and Formosa, covering a total distance of 8,000 miles in eleven weeks. The Mission then returned to Nanking for a period of six weeks to write its report.

Before his departure, Dean Hutchison and several other members of the Mission discussed with me their findings and recommendations. I am confident we will find constructive guidance in the Commission's comprehensive report as we work along on agricultural development for seventy-five percent of our people. Beyond that I hope parts of the report may form the basis of future cooperation between our governments and so further strengthen the traditional friendship between our countries.

On behalf of my government and the Chinese people, I wish to express my sincere appreciation to the U. S. Government for sending Dr. Hutchison and associates to us at this time.

Assuring you [etc.]

T. V. SOONG

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<sup>41</sup> Copy transmitted to the Secretary of State by the Chinese Ambassador (Koo) in his covering letter of January 7, 1947.



893.61A/12-3046

*The Secretary of Agriculture (Anderson) to the Secretary of State*

WASHINGTON, December 30, 1946.

DEAR MR. SECRETARY: Reference is made to Assistant Secretary Benton's letter of March 20 and my reply to you of April 1<sup>42</sup> in respect to the request of the National Government of China for the assistance of American agricultural specialists to advise the Chinese Government on specific agricultural problems.

Subsequent action resulted in the formation of a joint China-United States Agricultural Mission made up of an American section with Dean C. B. Hutchison as chairman, and a Chinese section with Dr. P. W. Tsou as chairman. This joint mission started work in China on June 27 and completed its studies and report on November 16.

In compliance with Washington cable No. 942 of October 28,<sup>43</sup> copies of the joint report, signed by Dean Hutchison and Dr. Tsou, were presented to President Chiang Kai-shek, Dr. T. V. Soong, and Dr. Y. T. Tsur, Minister of Agriculture and Forestry; and to Ambassador Stewart [*Stuart*] and General Marshall. Two copies were brought to Washington by Dean Hutchison, one of which he handed to President Truman; the other was retained in this Department for replication.

It is my understanding that the two Governments have agreed that the report will be released simultaneously upon a date to be arrived at after each Government has had an opportunity to study it. In order to expedite the study on the part of this Government, two copies of the report were informally delivered to Mr. Vincent, Director of the Office of Far Eastern Affairs, and Mr. William Stone, Director of the Office of International Information and Cultural Affairs. A further copy is transmitted herewith.

The report has been studied in the Department of Agriculture and we perceive no objection to its release after consultation with the Chinese Government.

Sincerely yours,

CLINTON P. ANDERSON

893.61A/12-3046

*The Secretary of State to the Secretary of Agriculture (Anderson)*

WASHINGTON, January 27, 1947.

MY DEAR MR. SECRETARY: The receipt is acknowledged of your letter of December 30, 1946 with reference to the suggestion that the joint report of the China-United States Agricultural Mission be published by the two governments simultaneously upon a specified date after having the necessary clearance.

<sup>42</sup> Neither printed.

<sup>43</sup> Not printed.

Publication of the report has been agreed to by the Department and the Embassy in Nanking has been requested to obtain the assent of the Chinese Government.<sup>44</sup> You will be notified as soon as a reply has been received from China regarding the publication date.

Sincerely yours,

For the Secretary of State:

WILLIAM BENTON  
*Assistant Secretary*

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<sup>44</sup> Telegram No. 335, February 21, 1947, 5 p. m., from the Embassy in China (102.78/2-2147), stated that the Chinese Government had cleared the report for publication and release on February 24; telegram No. 234, February 27, 1947, 3 p. m., to the Embassy in China (102.78/2-2147), stated that the report was released by the Department of Agriculture on February 25. The publication was entitled: *Report of the China-United States Agricultural Mission* (United States Department of Agriculture, International Agricultural Collaboration Report No. 2, May 1947).

## REPRESENTATIONS BY THE UNITED STATES REGARDING REGISTRATION OF AMERICAN BUSINESS FIRMS IN CHINA <sup>1</sup>

893.5034 Registration/1-346 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, January 3, 1946—1 p. m.

[Received January 3—9:45 a. m.]

18. Strong representations have been made by Embassy to Foreign Minister,<sup>2</sup> President of Legislative Yuan<sup>3</sup> and Minister of Economic Affairs<sup>4</sup> for modification of company law with particular reference to definition of foreign corporation (re articles 7 and 292 revised company law). Confidentially, as many top officials appear to be sympathetic with our viewpoint, we are still hopeful of favorable action and do not consider it advisable to appeal direct to Gimo (Generalissimo)<sup>5</sup> except as last resort. (Reference Dept's 2076, December 28, 8 p. m.<sup>6</sup>)

Dr. Wong Wen-hao, Minister of Economic Affairs, assured us on January 2 that deadline for registration of foreign companies would be postponed pending promulgation of revised company law.<sup>7</sup> (Sent to Dept as 18, repeated Shanghai as 6 in reply to Shanghai's No. 115, December 28.<sup>8</sup>) Dr. Wong agreed to issue public announcement to this effect.

Request Commerce be advised.

ROBERTSON

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<sup>1</sup> For previous correspondence, see *Foreign Relations*, 1945, vol. VII, pp. 1206 ff.

<sup>2</sup> Wang Shih-chieh.

<sup>3</sup> Sun Fo.

<sup>4</sup> Wong Wen-hao.

<sup>5</sup> Chiang Kai-shek, President of the National Government of the Republic of China.

<sup>6</sup> *Foreign Relations*, 1945, vol. VII, p. 1255.

<sup>7</sup> In telegram No. 174, January 28, the Counselor of Embassy in China reported that the deadline for registration had been extended to the end of March (893.5034 Registration/1-2846).

<sup>8</sup> Not printed.



893.5034 Registration/1-1346 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, January 13, 1946—9 a. m.

[Received January 14—3 : 01 p. m.]

94. The Foreign Minister has informally advised Chargé that in response to our strong representations made to Dr. Sun Fo, President of Legislative Yuan; Dr. Wong Wen-Hao, Minister of Economic Affairs; Dr. Wang Chung-hui, Secretary General of Supreme National Defense Council, as well as to FonOff it has been agreed that the objectionable phrasing in articles 7 and 292 of revised company law defining a foreign company as one which "has been established, registered and has transacted business in the country of its origin" will be eliminated at next meeting of Supreme National Defense Council which is expected to take place on January 14. This information is not to be transmitted to American business interests until Embassy has been officially notified that action has been taken. Request Commerce be informed.

ROBERTSON

893.5034 Registration/1-1546 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, January 15, 1946—3 p. m.

[Received January 18—12 : 27 a. m.]

107. Decision was reached by Supreme National Defense Council [on January 14] to delete from articles 7 and 292 of revised company law any requirement that foreign companies must transact business in country of origin in order to qualify for registration in China (ReEmtel 94, January 13, 9 a. m.). We are also informed by Dr. Wang Chung-hui that only procedural action in Legislative Yuan remains prior to promulgation of law in 2 or 3 weeks. He states all other articles will stand as originally approved in Legislative Yuan.

This is reported confidentially for the Dept and for Commerce, and it is requested that no public announcement be made prior to promulgation of law. Also requested is the assistance of the Foreign Trade Council and the China America Council in withholding publicity about pending revision of law as face-saving gesture during next few weeks. Dr. Wang stated yesterday's decision was reached only after extended and even heated discussion, and he expressed hope that public airing of these differences might be avoided.

SMYTH

893.5034 Registration/2-1546 : Telegram

*The Counselor of Embassy in China (Smyth) to the  
Secretary of State*

CHUNGKING, February 15, 1946—8 a. m.

[Received February 21—12:32 p. m.]

301. On February 12, Legislative Yuan committees, to which Supreme National Defense Council recommendations of January 14 re deletion of "doing business" provisions of articles 7 and 292 of company law had been referred, voted not to accept such recommendations and to return the matter to the Council for its reconsideration. As reported in Embtel 107, January 15, 3 p. m., Dr. Wang Chung-hui, Secretary General, Supreme National Defense Council, previously assured us that only procedural action in the Legislative Yuan remained to carry out the decision of the Defense Council. It should also be mentioned that on January 30, the Chinese Government spokesman, P. H. Chang, stated that the revised company law would be enforced from March 1 with deletion of "doing business" requirements from articles 7 and 292 and a public statement to same effect was subsequently made in Shanghai by O. K. Yui, Minister of Finance.

According to the Embassy's translation of a Chinese language article which appeared in the *Shang [Wu Jih] Pao* on February 13, reasons for their action were stated by the legislative committees as follows:

(Begin translation) (a) Formerly when unequal treaties were in force, most foreign countries enacted special laws enabling their merchants in China to incorporate companies which had unusual privileges such as not being required to do business in the country of their origin. Friendly nations have now adopted the principle of equality and reciprocity. The special laws, therefore, should be repealed so that all traces of special rights will be eradicated. The Americans object to the two characters "ying yeh" (business) because there is a law known as the China Trade Act<sup>9</sup> which is a hindrance to Americans doing business in China. The United States therefore should devise means to eliminate this hindrance.

(b) Companies which do business in their country of origin and establish branch offices in China should be permitted to do business as foreign companies. The corporations which do not do business in their country of origin and operate industrial and/or commercial enterprises only in China should be incorporated in accordance with local law and treated in the same way as Chinese companies. This is in accordance with the usual practice enforced by other nations in conforming with the principles of equality. China needs foreign capital to assist commercial and industrial reconstruction. Liberal conditions have been granted in the stipulations of item 4 of the

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<sup>9</sup> Approved September 19, 1922; 42 Stat. 849.

principles for the first stage of economic reconstruction. The new company law imposes no restrictions on the joint establishment of corporations by foreigners and Chinese except to require that the Chairman of the Board of Directors must be Chinese. Foreigners and Chinese, therefore, may jointly and without hindrance incorporate companies.

(c) It now appears that negotiations are in progress for the signing of a Sino-American commercial treaty.<sup>10</sup> Since the time the US forwarded a draft treaty to China, China has been negotiating on the basis of the provisions of the revised company law. It seems, therefore, that it is not advisable at this time to make any amendments to the original text. It is resolved that it is not necessary to delete the two characters "ying yeh" (business) which follow the two characters "ting chi" (register) which appear in articles 7 and 292. (End of translation.)

To assist in evaluation, it should be pointed out that the apparent, although perhaps the nominal, leader in the opposition within the Legislative Yuan is Professor Ma Yin-chu. Additionally to his linking of the present issue to the themes of nationalism and correction of abuses which are associated in the Chinese mind with the period of "unequal treaties", Professor Ma has made as his main point in public discussions and in the Legislative Yuan that the change in articles 7 and 292 was being sponsored by bureaucratic capitalists, i. e., Chinese Government officials grown rich on "squeezes" or encroachment on state-owned enterprises. Dr. Ma regards the provisions of article 7 and 292 as passed by the Legislative Yuan as necessary in order to prevent Chinese capital from entrenching itself in foreign-named corporations. A fuller account of the views expressed by Professor Ma, especially in his speech at the National Central University on February 4, together with a summary of subsequent press comment, is being forwarded in a separate message.<sup>11</sup>

In our commercial treaty discussions on February 14, we expressed concern that this matter had been linked with treaty negotiations in a public statement. Dr. Wang Hua-cheng, Director, Treaty Dept, Foreign Affairs Ministry, expressed his similar regret at this development. He explained that Dr. Chang Chao-yuen, principal drafter of the revised company law, was consulted by representatives of his dept during its study of American draft and preparation of its counter-proposals with respect to rights of foreign corporations. Dr. Chang Chao-yuen has also been designated as the representative of Legislative Yuan who is to be kept informed by Foreign Ministry as to progress of treaty negotiations and to assist in securing approval of treaty by Legislative Yuan.

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<sup>10</sup> Regarding the treaty of Friendship, Commerce and Navigation of November 4, 1946, see the bracketed note, p. 1227.

<sup>11</sup> Not found in Department files.



On February 13, we called upon Dr. Wang Chung-hui, Secretary General, Supreme National Defense Council, who confirmed action taken by Legislative Yuan, although stating that an official notice thereof had not yet been received by the Council. He indicated surprise at this development and said that Professor Ma appeared as the leader of the opposition. He stated that he agreed with those who favor deletion of the "doing business" provisions of articles 7 and 292, that he would discuss the matter fully with Dr. Sun Fo, and that he would also survey the attitude of other members of Supreme National Defense Council to ascertain probable result of its reconsideration of point in question. He pointed out that if Council were to recommend a second time deletion of objectionable words, Legislative Yuan would have no further recourse.

On February 14, Dr. Wang Chung-hui informed us that Dr. Sun Fo, President of Legislative Yuan, would support Council's recommendation for deletion of words "doing business". He said the matter would probably come up for reconsideration at next fortnightly meeting of Supreme National Defense Council on February 25; he hoped that Dr. Sun Fo would return to Chungking by that time, but, if not, would urge latter to put his views in writing for presentation at this meeting.

It is possible that highly placed members of Chinese Government, both in Supreme National Defense Council and in Legislative Yuan, while not wishing to appear publicly in opposition to views expressed by our Government, have nevertheless privately given free rein to their subordinates on this matter. Some phases of this development are difficult to explain in other terms.

We shall keep closely in touch with Dr. Wang Chung-hui and other Chinese officials and report promptly to the Dept concerning course of developments. It is possible that we may receive prior assurance that on February 25, the Council will instruct Legislative Yuan to delete objectionable provisions or that we shall know that consideration of the matter will be postponed and the former would resolve our immediate difficulties; the latter would be preferable if representations are to be made by General Marshall<sup>12</sup> to the Gimo. Not to mention the latter's present absence from Chungking and preoccupation with pressing problems of military reorganization, it would be preferable if the urgency of the situation does not require earlier action to delay these representations until the whole issues involved in concluding a mutually satisfactory commercial treaty are clarified. In thus linking our further action with respect to articles 7 and 292 to other points involved in the commercial treaty, Gen. Marshall would not be in the

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<sup>12</sup> General of the Army George C. Marshall, Special Representative of President Truman in China.

position of interfering in an internal public legislative dispute. He could bring the whole weight of American influence to bear on these larger issues and could, if necessary, refer to the National Advisory Council's resolution on January 15 as quoted in Deptel 103, January 17, 7 p. m.,<sup>13</sup> that reasonable progress toward a mutually satisfactory commercial treaty is regarded as an essential condition precedent to our Government's consideration of measures for financial assistance to China.

The issues and problems we are facing on the company law are closely connected with those which are appearing in negotiation of related sections of treaty concerning rights of corporations, finance, mining, land laws, travel, etc. (See Embtel 318, February 18, 9 a. m.,<sup>14</sup> for our fuller evaluation of points raised in commercial treaty discussions.) (A basic question is emerging as to how far and how fast it is appropriate and desirable for our Government to go in attempting to encourage the modernization of Chinese legal structure and the administration of its laws.) Please inform Commerce.

The Embassy will appreciate the Dept's urgent instructions.

SMYTH

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893.5034 Registration/2-2246 : Telegram

*The Counselor of Embassy in China (Smyth) to the  
Secretary of State*

CHUNGKING, February 22, 1946—9 a. m.

[Received—1:16 p. m.]

347. Further information concerning action in Legislative Yuan in returning to Supreme National Defense Council its recommendation for deletion of "doing business" provisions of articles 7 and 292 of revised company law (ReEmbtel 301, Feb. 15, 8 a. m.) may be reported from discussions with Wang Chung-hui, Secretary General, Supreme National Defense Council, S. Y. Wu, Secretary General, Legislative Yuan, and officials of the Ministry of Foreign Affairs. (Please inform Commerce.)

Wang Chung-hui and S. Y. Wu both state Sun Fo, President Legislative Yuan, now favors deletion of "doing business" requirement. Action taken on February 12, however, was virtually unanimous by members of Legislative Yuan; it was not merely a committee action. Wu expressed opinion that Supreme National Defense Council in reconsideration would [repeat its]<sup>15</sup> recommendations for

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<sup>13</sup> *Ante*, p. 920.

<sup>14</sup> Not printed.

<sup>15</sup> Bracketed insertions in this telegram made upon basis of original Embassy copy (Nanking Embassy files, Lot F79, 804.41 Company Law).

deletion of "doing business" provision in which case Legislative Yuan would have no further recourse.

Wu explained that unequal treaty arguments cited by Legislative Yuan as quoted in Embtel 301, Feb. 15, 8 a. m., were [not influential, at least not with responsible Chinese officials. He stated that main thought in minds of Chinese legislators was possibility of Chinese officials or business men using incorporation in a foreign country as a means for evading proper payment of taxes and responsibilities under Chinese law. If Chinese were able to organize an enterprise, say, as a China Trade Act Company, Wu stated, that company would not have to pay taxes in the United States; it would pay taxes in China, of course, but by virtue of being a foreign corporation with an office abroad it would] be given an advantage in concealing its assets from the Chinese Government for tax paying purposes.

Obvious replies to this confused but apparently effective argument were made to Wu, but it could be helpful if as promptly as possible we could receive from Dept as [an] authoritative, broad statement of relevant aspects of tax exemptions and liabilities in the United States for ordinary corporations doing business abroad with respect to federal and state taxation, together with a statement of position of China [Trade] Act corporations in same respect to use in further clarification of the points at issue. Wu asked for such a statement to assist in his discussions with Legislative Yuan members.

Wu made the unusually frank admission that the Chinese do not expect that the company law can be administered effectively for a few years. During this period, he said, foreign companies would have "advantages" over Chinese companies. This fear of competition from foreigners appears as a real factor in the situation, both with respect to the company law and the commercial treaty negotiations. For example, after pointing to the opportunity for concealing their wealth which deletion of "doing business" provisions allegedly would afford to "bureaucratic capitalists", the *Shang Wu Jih Pao*, Feb 18, expresses in its second major criticism of the proposed company law the following: "The other object is that the branch of a foreign company or a Chinese company formed by a foreign resident in accordance with the law will be far ahead of a Chinese state owned or a privately owned corporation in respect of [capital], size, improved technique and efficient management. Our national industries will shrink in size as the result of keen competition and national economy will suffer in consequence".

In commercial treaty meeting Feb 20, when we began to present Dept's views with respect to Chinese counterproposals (ReDeptel 304,



Feb 16, 2 p. m.<sup>16</sup>) we stated that inclusion of "doing business" requirement in article 3, paragraph 2 of Chinese counterdraft was a surprise to Dept in view of public announcement on Jan 30 concerning deletion of this requirement, and that Dept had stated its assumption that this requirement would be deleted from the "counterdraft". It was stated that we were not yet in [a position to convey our Govt's views with respect to] "doing business" provision in the counterdraft but in view of the extended consideration already given this matter, there were grounds to believe that the Dept would probably take a [firm stand], and that we hoped the matter would not be an obstacle in our steady negotiations. It was [emphasized that with respect to] articles 7 and 292 we have asked for no right [which the United States is not willing reciprocally] to accord, that we are asking for nothing that we would not ask for and would not be accorded by other countries. By opposing the "doing business" requirement, China appears to be laying down a condition which certainly is not required in the corporation laws of any state in the United States and to the best of our knowledge is not required by any other country in the world. Also we pointed out that our attitude with respect to articles 7 and 292 has not been formulated solely with China Trade Act companies in mind. A general application of the law would as effectively bar from registration such a company as the Texas Company (China) Ltd as it would any China Trade Act company.

Dr. Wang Hua-cheng replied that the matter was one for decision by the Supreme National Defense Council and that if that body voted to delete the "doing business" provisions of articles 7 and 292, the similar provisions would be removed from the Chinese counterdraft. He asked for a written statement of our views vis-à-vis articles 7 and 292 and for affirmation of our statement that other countries have no "doing business" requirement in their corporation laws. It is proposed to base any such further written statement mainly on Dept's reply to Embtel 301, Feb 15, 8 a. m., and we would appreciate also renewed confirmation of our statement about the uniqueness and lack of accordance with corporate practice of "doing business" requirement.

Embassy is keenly aware that we must not be in a position of intervening in an internal legislative dispute; and that in our commercial treaty negotiations we must not emphasize articles 7 and 292 in such a way that a Chinese concession here could become a major bargaining point for them in withholding or restricting other perhaps more fundamental rights for American business. Also that the possibility could exist that if forced to accept revision with regard to articles 7 and 292, Legislative Yuan might seek to introduce other

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<sup>16</sup> Not printed.

amendments or requirements restrictive of rights of foreign companies. It is not yet [sure] that the matter will come up for decision at meeting of Supreme National Defense Council on Feb 25. Dr. Kan Nai-kuang, Vice Minister of Foreign Affairs, has also expressed his view privately to us that if Council's action is taken at this next meeting, it will be favorable.

SMYTH

102.81/2-2746 : Telegram

*The Counselor of Embassy in China (Smyth) to the  
Secretary of State*

CHUNGKING, February 27, 1946—10 a. m.

[Received February 28—6:53 a. m.]

376. Please inform Commerce. Reconsideration of its previous recommendation to Legislative Yuan regarding "doing business" provision of articles 7 and 292 of revised company law was not among matters taken up by Supreme National Defense Council in its meeting on Feb 25. (Sent Washington 376 repeated Shanghai 140, Feb 27, 10 a. m.) Next meeting of Council will be March 11. We are awaiting Dept's instructions and replies to Embtel 301, Feb. 15, 8 a. m. and 347, Feb. 22, 9 a. m. before taking further steps.

SMYTH

893.5034 Registration/2-1546 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, February 28, 1946—8 p. m.

372. Dept feels that previous representations by Embassy have made abundantly clear to Chinese Govt concern felt regarding adverse effect on American business interests of retention of articles 7 and 292 as presently recommended to Supreme National Defense Council by Legislative Yuan. (ReEmb 301 Feb 15 received Dept Feb 21.) Dept feels therefore that no useful purpose will be served by further representations at this time but that current commercial treaty negotiations should be permitted to bring into focus points at issue as set off against stipulations in National Advisory Council's policy statement of Jan 15, specifically numbered paragraph 2 and sections a, c, d, e and f thereof. (Ourtel 103, Jan 17.<sup>17</sup>) However Dept concurs Embassy's position (last para Embtel 347, Feb 22) concerning emphasis on Articles 7 and 292 to detriment more fundamental rights American business covered in commercial treaty such as Article 3 para 3 and Article 4 para 2.

<sup>17</sup> *Ante*, p. 920.

Chinese fear of dominance of foreign companies (Embtel 347 Feb 22) understandable in view experience under extraterritoriality. Encouragement of inflow of foreign capital, however, should hasten Chinese industrialization rather than cause national economy to suffer. Inflow foreign capital of prime importance early industrialization of US. Dept understands that no US state has "doing business" requirement but may be cases in laws of other countries. Dept will investigate further as to extent of requirement.

Following are general rules as to federal taxation applicable to US corporations doing business abroad. US corporations subject to normal income tax, surtax and excess profits tax on entire income, including that from abroad, but may credit against such tax any income tax paid to foreign country on income derived therefrom. In addition, if corporation does practically all business abroad it is exempt from excess profits tax and if practically all such business is in foreign country of this hemisphere corporation also exempt from surtax. All US corporations other than insurance companies subject to capital stock tax on entire capital. CTAC<sup>18</sup> wholly owned by nationals and residents of the United States and China exempt from capital stock tax and from normal income tax, surtax and excess profits tax if income distributed is not less than tax exemption. However, deduction for normal tax, surtax and excess profits tax purposes of 85 percent of dividends received by US corporations from another US corporation denied in case of dividends received from CTAC. Dept not in position to generalize as to state corporation taxes, which are less important than federal.

BYRNES

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893.5034 Registration/3-1446 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, March 14, 1946—9 p. m.

469. American business interests are in quandary as to what is present status of revised company law, and whether registration is required prior to March 31, and if so under what law. Dr. Robert Huang, attorney for China-America Council is of opinion, as is Chinese Embassy, he reports, that registration requirement prior to March 31 is under "Regulations for Registration of Companies," June 9, 1943. Commerce requests clarification.

BYRNES

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<sup>18</sup> China Trade Act companies.



102.81/3-1946 : Telegram

*The Counselor of Embassy in China (Smyth) to the  
Secretary of State*

CHUNGKING, March 19, 1946—10 a. m.

[Received March 19—4:40 a. m.]

517. Please inform Commerce. Yesterday in commercial treaty negotiations we were confidentially informed by Dr. Wang Hua-cheng, Chief, Treaty Dept, MinFonAff, that Supreme National Defense Council had earlier same day, March 18, reaffirmed its previous recommendation concerning deletion of "doing business" requirement of articles 7 and 292 of revised company law. Dr. Wang stated this decision was now binding on Legislative Yuan and that revised law will be promulgated with objectionable requirement deleted (ReDep-tel unnumbered, March 14<sup>19</sup> and Embtel 347, February 22, 9 a. m.).

As promptly as possible we shall report date of promulgation of revised law together with information concerning new deadline for registration of foreign firms. It is requested that there be no public disclosure of this information pending announcement of action taken by Chinese Govt.

In further response to Deptel of March 14, 9 p. m., we have confidentially been informed of an order already signed by Ministry Economic Affairs extending deadline for registration to June 30, 1946, but no public announcement to this effect has been made (sent to Washington 517; repeated to Shanghai 200) and possible effect of yesterday's action on this order is not yet known.

SMYTH

102.81/3-2046 : Telegram

*The Counselor of Embassy in China (Smyth) to the  
Secretary of State*

CHUNGKING, March 20, 1946—4 p. m.

[Received March 20—2:23 p. m.]

525. Conversation with Dr. Wang Chung-hui, Secretary General, Supreme National Defense Council, on March 19 confirmed action with respect to "doing business" requirement of revised company law as reported in Embtel 517, March 19, 10 a. m. Dr. Wang stated that Council's decision would be final and no precedent exists by which Legislative Yuan could return matter for reconsideration a second time. He said, also, that Council's decision has been forwarded to Legislative Yuan and that necessary action will be taken by that

<sup>19</sup> No. 469, *supra*.

body on March 23. The law should be promulgated a few days thereafter and will be enforced from the date of promulgation.

We are taking up with Ministry Economic Affairs matter of deadline for registration of foreign firms<sup>20</sup> under revised law when promulgated. (Please inform Commerce.)

Dr. Wang requested particularly that no publicity concerning Council's action be given in US prior to public announcement by Chinese Govt. (Sent to Washington 525, repeated to Shanghai 207, March 20, 4 p. m.). He stated that views were evenly divided when matter came up for hearing on March 18 and that Chiang Mon-lin, Secretary General of Executive Yuan, was leader of opposition supported by certain Chinese industrialists.

SMYTH

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893.5034 Registration/4-946 : Telegram

*The Counselor of Embassy in China (Smyth) to the  
Secretary of State*

CHUNGKING, April 9, 1946.

[Received April 9—9:15 p. m.]

644. Measures regarding registration of foreign insurance companies in China issued on March 21, 1946 by Ministry of Finance were received by Embassy April 5 through Bureau of Social Affairs of Chungking municipality (please inform Commerce). Text of such measures are as follows:

“As foreign insurance companies are now coming to China to carry on business operations, the three following measures for dealing with them are hereby laid down to facilitate control thereof by this Ministry.

(1) Foreign insurance companies which had suboffices or branches in China before the war that were closed down because of the war and which now ask to be allowed to resume business operations in China are required to apply to this Ministry for renewal in accordance with the law within 3 months of receipt of this airgram. Failure to comply with this requirement before the expiry date shall be penalized by the suspension of business.

(2) Foreign insurance companies which had no sub-office or branch in China before the war but which operated their insurance business in the name of an agent and which now wish to continue business operations in China are required to apply for registration in accordance with law and obtain the necessary license within 3 months of receipt of this airgram. Failure to comply with this requirement before the expiry date shall be penalized by the forced cessation of business operations.

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<sup>20</sup> In telegram No. 631, April 6, the Counselor of Embassy in China reported a notice from the Foreign Office that the deadline for registration had been postponed from the end of March to the end of June (893.5034 Registration/4-646).

(3) Insurance policies shall in all cases be written by foreign insurance companies in China in Chinese national currency. Foreign insurance companies may not issue insurance policies written in a foreign currency.

While separate letters are being addressed to the various organizations concerned, the above measures are hereby communicated to you by airgram with the request that foreign insurance enterprises operating in the region under your jurisdiction be instructed to act accordingly."

Embassy's comment will follow.<sup>21</sup>

SMYTH

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102.81/7-346 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

NANKING, July 3, 1946—[4 p. m.]

[Received July 3—5 : 50 a. m.]

1083. For Commerce. Reference Shanghai consular telegram 1162, June 28 and Embassy's telegram 1060, June 29<sup>22</sup> (repeated Shanghai as 430), concerning registration of foreign companies.

Previous "deadlines" for registration of foreign companies represented a deferment of registration requirements pending promulgation of company law. Since that law is now in force (since April 12,) companies legally are required to register under its provisions in order to carry on business. Article 292 provides: "A foreign company shall not transact business or establish a branch office within the territory of China without a certificate of authority given after admission and cannot apply for admission without incorporation in its own country". Also article 296 requires, with respect to establishment of additional branch offices by foreign countries already admitted to do business in China, that application be made through local competent authorities within 15 days after establishment of such branch offices.

While legally therefore situation requires immediate application for admission by companies now operating or desiring to commence operations in China, we are informed by head of commercial section, Ministry Economic Affairs, who is directly responsible for registration of foreign companies, that blank forms for registration applications are not yet available and that "certificates of authority" also are not yet prepared. He states that foreign firms already operating in China should apply to Ministry Economic Affairs as "soon as possible" by writing a letter setting forth the information and attachments called for in articles 294 and 354 of the revised company law.

Sent to Shanghai [as] 436; repeated to Washington 1083.

SMYTH

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<sup>21</sup> Telegram No. 926, June 7, not printed.

<sup>22</sup> Neither printed.



## DISCUSSIONS CONCERNING ACCEPTABLE PROCEDURE FOR RE-REGISTRATION OF AMERICAN CONSULAR TITLE DEEDS

893.5200/11-2245

*The Consul General at Shanghai (Josselyn) to the Chargé in China  
(Robertson)* <sup>1</sup>

No. [3]

SHANGHAI, November 22, 1945.

SIR: I have the honor to transmit herewith a copy of the Chinese text, as published in the November 13, 1945 issue of the *Ta Kung Pao*, a local Chinese daily, together with translation,<sup>2</sup> of a proclamation of the Shanghai Municipal Government, dated November 10, 1945, promulgating the Provisional Procedure of the Bureau of Land Administration of the Municipality of Shanghai Governing Adjustment of Registration of Land Held Under Perpetual Lease or Consular Title Deed.

According to a notification issued by the Shanghai Municipal Government and appearing in the *Ta Kung Pao* of November 18, 1945, the period fixed for applications for registration is from November 19, 1945, to January 18, 1946, inclusive. A copy of the Chinese text together with translation is also enclosed.<sup>2</sup>

The Embassy's attention is invited to Article 2 of the Procedure, which appears to be in contravention of Article IV of the Treaty of 1943 between the United States of America and China for the Relinquishment of Extraterritorial Rights in China and the Regulation of Related Matters.<sup>3</sup> Article 31 of the Law for the Enforcement of the Land Law, referred to in Article 2 of the Procedure, reads as follows (See Legation's Circular No. 364 dated June 21, 1935):

"Article 31. In the case of land leased to foreigners in accordance with the treaties, the proper controlling land office should effect registrations as ownership of public land, after which the lessee may register the lease.

The lessee shall be responsible for all the land taxes and fees in connection with the land referred to in the preceding paragraph, and for all the other requisite obligations of owners provided for in the Land Law."

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<sup>1</sup> Copy transmitted to the Department by the Consul General in his despatch No. 18, November 22, 1945; received December 4, 1945.

<sup>2</sup> Not printed.

<sup>3</sup> Signed January 11, 1943, Department of State Treaty Series No. 984, or 57 Stat. (pt. 2) 767.

Under Article 2 of this Procedure perpetual leases and Consular title deeds are to be replaced by "certificates of other rights" while the Treaty (Article IV, paragraph 2) indicates or implies that if replacement of existing documents relating to real property is to take place, such replacement will be by new deeds of ownership. It seems to me that if the Chinese Government is reluctant to issue deeds of ownership to American title holders, the replacement documents should have the same legal force as deeds of ownership and possibly should also show that they have been issued in exchange for perpetual leases or Consular title deeds.

The Procedure contains another objectionable feature. Article 4 will apparently deprive American owners of their right of transfer (alienation) in case they should fail to register in accordance with law. Moreover, the time limit fixed under the Mayor's notification is so short that it is absolutely impossible for American owners to comply, as many of them will not be able to return within the time limit and have no representative to act on their behalf.

Moreover, the Procedure makes no mention of the steps which should be taken in case of loss or destruction of perpetual leases or Consular title deeds. Many such cases have taken place during the war.

For the Embassy's information there is also transmitted a clipping from *The Shanghai Herald*, a Kuomintang, English-language daily, of November 18, 1945,<sup>4</sup> on this subject.

I have addressed a letter to the Mayor of Shanghai, drawing his attention to certain points in the Procedure which appear not to be in agreement with the Treaty and reserving all American rights under the treaty. A copy of my letter is enclosed.

Respectfully yours,

PAUL R. JOSSELYN

[Enclosure]

*The American Consul General at Shanghai (Josselyn) to the Chinese Mayor of the Shanghai Municipal Government (Chien Ta-chun)*

SHANGHAI, November 22, 1945.

SIR: I have the honor to state that my attention has been called to the Provisional Procedure of the Bureau of Land Administration of Shanghai governing the re-registration of land held under perpetual lease or consular title deeds. This procedure was promulgated by the Shanghai Municipal Government on November 10, 1945. The Provisional Procedure appears to be inconsistent with the provisions

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<sup>4</sup> Not reprinted.

of the Treaty between China and the United States for the Relinquishment of Extra-territorial Rights in China and the Regulation of Related Matters.

Article IV of the Treaty in question states as follows:

[Here follows text of article IV.]

The Provisional Procedure mentioned above requires American holders of perpetual leases or consular title deeds to apply for registration within the period fixed and for the replacement of their existing documents by certificates of other rights. The Treaty, on the other hand, provides that if existing documents are replaced, they shall be replaced by "new deeds of ownership". Moreover many American property owners were forced to leave Shanghai and will not be able to return before the expiration of the time limit set by your office under notification no. PU-19 of November 17, 1945 which is January 18, 1946.

There are other points in which it appears that the Provisional Procedure is not consistent with the Treaty stipulations as will be seen by a study of both documents. I have forwarded the Provisional Procedure to the American Embassy at Chungking and pending the receipt of its instructions on the subject, I must reserve all American rights under the Treaty.

Accept [etc.]

PAUL R. JOSSELYN

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893.5200/12-745

*The Consul General at Shanghai (Josselyn) to the Chargé in China  
(Robertson)* <sup>5</sup>

No. 5

SHANGHAI, December 7, 1945.

SIR: With reference to my despatch of November 22, 1945, relative to the Provisional Procedure promulgated by the Shanghai Municipal Government governing re-registration of land held under perpetual leases and consular title deeds, I have the honor to transmit herewith a copy of the Chinese text, as published in the *Ta Kung Pao*, a local Chinese-language daily, November 14, 1945, together with translation,<sup>6</sup> of a proclamation issued by the Shanghai Municipal Government promulgating the Land Registration Detailed Enforcement Rules in thirty-five articles.

Under Article 18 of the Detailed Enforcement Rules Chinese citizens holding land under perpetual leases or consular title deeds in the name of foreign merchants may apply for registration of ownership, while Article 28 provides that American and other alien holders of

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<sup>5</sup> Copy transmitted to the Department by the Consul General in his despatch No. 33, December 7, 1945; received December 17, 1945.

<sup>6</sup> Not printed.



perpetual leases or consular title deeds shall, in conjunction with the owners, apply for registration of leases in accordance with the Provisional Regulations Governing Lease and Use of Land and Buildings by Foreign Missionary Societies in the Interior and the provisions of Article 31 of the Law for the Enforcement of Land Law.

The registration fees set forth in Article 33 are double those provided for in the Land Law. The deed or certificate fees are enormously increased as the Land Law provides that the maximum fee for a deed or certificate is CNC\$10.00.

Respectfully yours,

PAUL R. JOSSELYN

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893.5200/12-1345

*The Consul General at Shanghai (Josselyn) to the Chargé in China  
(Robertson) <sup>7</sup>*

No. 6

SHANGHAI, December 13, 1945.

Subject: Provisional Procedure Governing Adjustment of Registration of Land Held Under Perpetual Leases or Consular Deeds.

SIR: With reference to my despatch no. 3, dated November 22, 1945 on the above subject, I have the honor to transmit herewith copy of the Chinese text and translation of the reply from the Mayor, dated December 5, 1945, to the communication which I addressed to him on November 22 (enclosure no. 4 to my despatch of November 22). It will be noted that the Mayor states that the "certificate of other right" refers to the right of lease in perpetuity and is not intended to cause diminution of the existing rights or titles of American citizens.

Respectfully yours,

PAUL R. JOSSELYN

[Enclosure—Translation]

*The Chinese Mayor (Chien Ta-chun) and Deputy Mayor (Ho Te-k'uei) of the Shanghai Municipal Government to the American Consulate General*

[SHANGHAI, December 5, 1945.]

SIRS: We have the honor to acknowledge the receipt of the Consulate General's note of November 23 [22], 1945, stating that the Provisional Procedure of the Bureau of Land Administration of the Municipality of Shanghai governing re-registration of land held under perpetual leases or consular title deeds has been promulgated and appears to be inconsistent with the provisions of Article IV of the Treaty between

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<sup>7</sup> Copy transmitted to the Department by the Consul General in his despatch No. 42, December 13, 1945; received January 7, 1946.

China and the United States for the relinquishment of extraterritorial rights in China and the regulation of related matters.

In reply we have the honor to state that the provisions of Article IV of the Treaty between China and the United States for the relinquishment of extraterritorial rights in China and the regulation of related matters are principally intended to guarantee that existing rights or titles to real property in territory of the Republic of China possessed by nationals, or by the Government, of the United States of America, shall be indefeasible and indimi[ni]shable. As regards whether or not existing documents shall be replaced by new deeds of ownership and as to the procedure of issuance of such replacement documents, it is doubtless to say that action shall be taken in accordance with the existing laws and ordinances of China.

Article 2 of the Provisional Procedure governing re-registration of land provides that the lessees shall apply for registration of leases and that their documents shall be replaced by certificates of other rights, on the basis of which they may exercise their rights. The term "certificate of other right" refers to the certificate of right of lease in perpetuity and is definitely not intended to cause diminution of existing rights or titles of American nationals nor can it be interpreted as such. Therefore, it is not in contravention of the spirit of the Treaty.

We have the honor to make this reply for your information.

(Rubber Stamps) Chien Ta-chun  
Ho Te-k'uei

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893.5200/11-2245 : Telegram

*The Acting Secretary of State to the Consul General at Shanghai*  
(Josselyn) <sup>8</sup>

WASHINGTON, January 12, 1946—10 a. m.

53. Please obtain sample form of "Certificate of Other Rights" referred to in Article 2 of proclamation of Shanghai Municipal Govt (Enc 1 <sup>9</sup> to Urdes 3, Nov 22 to Dept) and forward copies and English translation, together with your comments regarding rights conferred under terms of such (repeated to Chungking) certificates and their status under applicable Chinese laws, to Dept and Emb.

Dept feels that prior to study of terms of certificate it would be inadvisable for American holders of perpetual leases or consular title deeds to take steps to effect re-registration. You may so inform American title holders who approach you for advice. Should the

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<sup>8</sup> Repeated to the Embassy at Chungking as No. 76.

<sup>9</sup> Not printed.

Shanghai Municipal Govt press American title holders for early re-registration of properties you may inform Mayor matter is under consideration by Dept and Embassy and request that period for re-registration be extended.

R. T. Bryan, Jr.,<sup>10</sup> who has been appointed Special Assistant to Emb, expects to pass through Shanghai en route Chungking in latter part of January and will discuss this and other pending questions of legal character with you.

ACHESON

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893.5200/1-2446

*The Consul General at Shanghai (Josselyn) to the Chargé in China (Robertson)*<sup>11</sup>

No. 16

SHANGHAI, January 24, 1946.

SIR: I have the honor to refer to my despatch no. 3 of November 22, 1945 forwarding Provisional Regulations Regarding the Re-registration of Land, also my despatches no. 5 of December 7 and no. 6 of December 13 on the same subject. I am transmitting herewith copies of memoranda<sup>12</sup> which I have received on the general subject of land registration particularly as it concerns registered and beneficial ownership. These memoranda were prepared for presentation to the British Consul General by a British firm of engineers and architects, Messrs. Atkinson & Dallas, Ltd. I believe that a reading of these two memoranda, whether or not one agrees with the conclusions reached, will show the complicated nature of land tenure in Shanghai and the difficulties to be encountered in carrying out the provisions relating to land in the Sino-American Treaty of 1943. As will be noted from the memorandum of November 28, there are roughly 14,000 lots covered by British consular title deeds and 4,000 lots covered by American consular deeds. The values of the property represented by these deeds will, of course, run into a very high figure. The matter of the procedure to be followed is becoming more and more urgent, and I have received a number of inquiries from American owners with regard to the steps which they should take.

In conversation with my British colleague a few days ago, he informed me that he had engaged the services of a Mr. J. C. Greig,

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<sup>10</sup> Formerly Municipal Advocate of the Shanghai International Settlement.

<sup>11</sup> Copy transmitted to the Department without covering despatch; received February 8. Addressed to Walter S. Robertson as technically Chargé. Mr. Robertson was actually in Peiping as American Commissioner of Executive Headquarters, set up in connection with efforts to stop fighting between Chinese Nationalist Government forces and Chinese Communists.

<sup>12</sup> None printed.



who is the former Deputy Secretary of the Shanghai Municipal Council, in charge of the Settlement Land Office. Mr. Ogden stated that he had done this for the reason that there is no one on the staff of his office who is familiar with land tenure in Shanghai and that he considered the services of an expert absolutely necessary. I had a conversation with Mr. Greig at which time he informed me that the British Consulate General was preparing a communication to the Shanghai Municipal Government setting forth its position in the matter of land re-registration and that when this was completed, he would inform me.

I have now received from the British Consul General an excerpt from a communication which he has addressed to the Shanghai Municipal Government outlining a proposed procedure for the registration of land. This excerpt is quoted below :

“(a) Recognition in the first place of the status of all Title Deeds existing and fully registered prior to August 1937 (i. e. the date from which the late Chinese Land Bureau ceased to function) as shown by the Consulate Registers and of any, to which there was no objection on the part of the Land Bureau, which had been forwarded by this Consulate but not completely registered by the Bureau when the outbreak of war stopped proceedings.

“(b) That transfers noted by this Consulate in the interim (i. e. from August 1937 to December 8th 1941 ) be reported to your Land Bureau and accepted as issued Deeds.

“(c) That your Land Bureau be notified where claims are made to this Consulate with regard to Title Deeds lost, stolen or illegally transferred.

“(d) That, when the Title Deeds mentioned in paragraphs (a), (b) and (c) have been recognized by the Chinese Government, as provided for in the Treaty, if your Land Bureau wish to issue a new form of Deed therefor the exchange of the existing Deeds for the new Deeds shall be done through this Consulate and that thereafter the responsibilities of this Consulate will cease in the matter.”

It will be noted that according to this proposed procedure the Land Bureau is to recognize (a) deeds fully and partially registered prior to August 1937 when the former Chinese Land Bureau ceased to function and (b) transfers noted at the British Consulate General between August 1937 and December 8, 1941. Also that the Land Bureau is to be notified in cases of title deeds lost, stolen or illegally transferred. This presumably means that transfers made during the period of Japanese occupation are to be declared null and void. Article d of the British proposed procedure provides that the old deeds shall be exchanged through the British Consulate General for new deeds after which the responsibilities of the British Consulate General in connection therewith shall cease.

This latter point, i. e. the exchange of the former deeds for new deeds through the British Consulate General, is not in accordance with the Chinese view as will be noted from the enclosed copy and translation<sup>14</sup> of a communication dated January 7 received from the Shanghai Office of the Ministry of Foreign Affairs quoting a letter from the Shanghai Municipal Government. It is stated in paragraph (1) that all foreign nationals leasing land and in possession of perpetual leases or consular title deeds shall apply directly to the (Land) Bureau for lease registration.

As stated in my telegram no. 44 of January 23, 11 a. m. to the Embassy (repeated to Department as no. 96 same date),<sup>14</sup> Shanghai Land Bureau has granted an extension of the registration period from January 19 to March 18 inclusive. It is my intention to approach the Municipal Government informally with regard to the proposed procedure set forth in the memorandum from the British Consul General, and I shall inform the Embassy and the Department in regard thereto.

Respectfully yours,

PAUL R. JOSSELYN

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893.5200/1-3046

*The Consul General at Shanghai (Josselyn) to the Secretary of State*

No. 80

SHANGHAI, January 30, 1946.

[Received February 20.]

SIR: I have the honor to refer to my telegram no. 128, dated January 29, a [2] p. m.<sup>14</sup> concerning the exchange of Consular Title Deeds for "Certificates of Other Rights."

In accordance with the statement made in the last paragraph of this telegram, I am forwarding to you herewith the following documents:<sup>15</sup> (1) Memorandum of Conversation concerning Consular Title Deeds in Shanghai; (2) Copy of form for new "Deed of Ownership" together with translation; (3) Copy of Form for "Certificate of Other Rights."

R. T. Bryan, Jr. will prepare and forward to you a memorandum on the legal aspects of this matter when he arrives in Chungking.

Respectfully yours,

PAUL R. JOSSELYN

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<sup>14</sup> Not printed.

<sup>15</sup> Enclosures 2 and 3 not printed.

[Enclosure]

*Memorandum of Conversation, by Mr. Robert T. Bryan, Jr.,  
Special Assistant to the Embassy in China*

[SHANGHAI,] January 28, 1946.

At 11 a. m. on January 28, 1946 Paul R. Josselyn and R. T. Bryan, Jr. called by appointment on T. K. Ho, Deputy Mayor of Shanghai to discuss the re-registration of consular title deeds or perpetual leases as more fully specified in Article IV of the new Sino-American Treaty.

Article IV of the treaty was called to the Deputy Mayor's attention. For ready reference, Article IV is quoted hereunder :

[Here follows text of article IV.]

It was pointed out that according to Anglo-Saxon law the legal title remained in the trustee, in this case the registered owner, not in the beneficial owner. Chinese law, however, made the trustee only the agent of the beneficial owner. The United States Government was interested in registered owners who were also beneficial owners; it was not interested in registered owners who were only the trustees of the beneficial owners.

A copy of a "Certificate of Other Rights" was shown to the Deputy Mayor, and he was informed that this was not a deed of ownership within the purview of the words "by new deeds of ownership". The words "other rights" clearly indicated that the document was not a deed of ownership. If such a document was given to the holders of Consular Title Deeds, it would cause the property to immediately decline in value. For ready reference a copy of the "Certificate of Other Rights" together with a translation is attached.

A copy of the proposed new "Deed of Ownership" was then shown to the Deputy Mayor who was informed that this was the deed of ownership which should be issued by the Chinese Government to Americans in exchange for their Consular Title Deeds. The Deputy Mayor then explained that this new deed was to be issued to property owners in exchange for the old *Tu Di Tsung*. It was suggested to the Deputy Mayor that there should be no discrimination between Chinese owners and holders of Consular Title Deeds. The same type of deed should be issued to both Chinese and Americans. For ready reference, a copy of the new "Deed of Ownership", together with a translation is attached.

It was stated that the Chinese Land Law would have to be amended in order to permit the issuance of "Deeds of Ownership" to Americans. This might cause some delay.

It was suggested that this matter could be satisfactorily settled in one of three ways: first, new deeds of ownership could be issued to



Americans in exchange for their Consular Title Deeds; or second, Consular Title Deeds could be validated by making a note on them to that effect; or third, an order could be issued validating all Consular Title Deeds. It was explained that the first method was cumbersome and that either the second or third methods would be satisfactory to all parties concerned.

It was called to the Deputy Mayor's attention that the treaty said nothing concerning a time limit within which Consular Title Deeds should be exchanged for new documents. The time limit had already been extended to March 18, 1946, but even this extension granted entirely too short a period within which to enable the holders of Consular Title Deeds to exchange them for new documents. It was claimed that the minimum period allowed for the exchange should be at least five years.

The Deputy Mayor agreed that, in accordance with the terms of the treaty, no fees should be charged. He further agreed, in principle, with the suggestions made by Messrs. Josselyn and Bryan as above stated. Finally he pointed out that Americans should not worry about the time limit but should wait until the whole matter was settled. He felt that this was a question which could be settled satisfactorily by cooperation between the United States and China.

The conference then ended at 11:45 having been conducted all the way through in a spirit of friendship and amity.

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893.52/2-846

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

No. 1094

CHUNGKING, February 8, 1946.

[Received February 22.]

SIR: I have the honor to refer to the Shanghai Consulate General's despatch no. 80 of January 30, 1946 enclosing a "Memorandum of Conversation Concerning Consular Title Deeds in Shanghai", together with copies of the "Certificate of Other Rights" and new "Certificate of Ownership". In that connection, there is forwarded herewith a memorandum prepared by Mr. R. T. Bryan, Jr. upon the legal aspects of this matter.

The Department's instructions or suggestions would be appreciated.

Respectfully yours,

For the Chargé d'Affaires ad interim,

ROBERT L. SMYTH

[Enclosure]

*Memorandum by Mr. Robert T. Bryan, Jr., the Special Assistant to the Embassy in China, to the Counselor of Embassy (Smyth)*

[CHUNGKING,] February 8, 1946.

The Land Law of China reverts back to primordial antiquity when the mythical emperors, Yue and Suen, are alleged to have occupied the Imperial Throne. During that period the jurisprudence governing land was summarized in one terse maxim, "Every inch of land is the property of the Emperor". This epitomization of the ancient law is the fundamental and axiomatic foundation of all Chinese law and psychology relating to real estate. It has been brought forward into modern Chinese law by the statement that "All land within the territory of the Republic of China belongs to the Chinese people as a whole."\*

Predicated upon this ancient aphorism, the people were not permitted to own land but could only lease it from the Emperor, paying as rent a certain percentage of the produce of the soil. Gradually there were evolved two forms of deeds, namely White Deeds and Red Deeds, which were in truth and in fact merely perpetual leases. White Deeds were unofficial transfers from private party to private party which had not been officially approved by the Government. When a White Deed was stamped with a red stamp by the appropriate government official, it became a duly authenticated Red Deed approved by the government. Later a new type of deed was issued known as a *Fangtan*, which in recent years has been altered to a document designated a *Tu Ti Cheng*. The Chinese Government now proposes to change the *Tu Ti Cheng* to a "Certificate of Ownership".

With the advent of extraterritoriality and the impingement of occidental ideas upon the ancient civilization and traditions of China, it was only natural that the Chinese Government considered that no greater rights, with reference to real estate, should be granted to aliens than to Chinese. Since Chinese deeds were in reality perpetual leases, only perpetual leases could be granted to foreigners.

Upon the inditing of the Land Regulations of the International Settlement at Shanghai, a new form of perpetual lease, or consular title deed, was evolved. This perpetual lease was issued by the Chinese Government through the medium of the Consulate concerned. Briefly, the procedure was for the foreigner to purchase the land together with documents of title from the owner and to present such documents of title to his Consulate. The Consulate in turn forwarded the documents to the Chinese Land Office which, in due course, if the

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\*Article VII of the Land Law. [Footnote in the original.]

documents were found to be genuine, issued a perpetual lease upon a form supplied by the Consulate. This perpetual lease provided that the holder held the property in perpetuity provided he paid the ground rent to the Chinese Government, which generally amounted to approximately 1500 cash per year. It has been held by some of the former extraterritorial courts that such titles as evidenced by consular title deeds are indefeasible except upon proof by due process of law of fraud or undue influence.

In the early days of the International Settlement, lawyers evolved the idea, although there was no support for such idea in the Land Regulations, that Chinese were not permitted to own land in the Settlement. From this idea sprang the system of Chinese registering land in the names of foreigners. The registered owners, although they might not be the actual or beneficial owners, were considered to hold the naked legal title. The actual or beneficial owners were given declarations of trust by the registered owners stating that the property was held in trust by them for the actual owners. This became a profitable and thriving business for lawyers and real estate companies and is a practice which has been greatly resented by the Chinese Government as an abuse of extrajurisdiction.

Article IV of the new Sino-American Treaty, signed in 1943, *inter alia*, provides: First, that existing titles to property in China possessed by nationals (including corporations) or by the Government of the United States of America shall be indefeasible and shall not be questioned except upon proof established through due process of law or [of] fraud or of other fraudulent or dishonest practices. And second, if the Chinese Government desires to replace perpetual leases by new deeds of ownership, it must do so without cost to the owner.

As to the first point, the word "possess" must be emphasized. Interested parties contend that registered owners, even if they are not the real owners, possess the legal title. This is based on the Anglo-Saxon equitable theory that a naked trustee is the legal owner. Predicated upon this theory, they submit that all Consular title deeds registered in the names of foreigners are entitled to the benefits granted by the new treaties made with China in 1943. If this view is accepted it will be tantamount to throwing the cloak of American and British treaty rights over Chinese. This it seems was not the intention of the High Contracting Parties.

A more reasonable construction is that the word "possess" must be construed in accordance with the *lex loci rei sitae*—this in accordance with decisions of former extraterritorial courts which have held in several cases that land disputes must be determined in accordance with local or Chinese law. Strength and color is added to this construction when we consider Article I of the new treaty signed in



1943 by the United States and China, which, *inter alia*, provides: "Nationals of the United States of America in such territory shall be subject to the jurisdiction of the Government of the Republic of China in accordance with the principles of international law and practice." According to Chinese law, there are no trusts except what may be designated as foundations. Foundations may be loosely described as eleemosynary corporations which have been endowed by some individual or group of individuals. They must be registered as corporations. Ordinary trustees are regarded only as agents representing principals. Registered owners who are not also the actual owners are, according to Chinese law, only agents. The protagonists of this construction consider, and rightly so, that only persons who are both registered owners and actual owners are entitled to the benefits of the new treaties which were signed in 1943.

As to the second point, the treaty is clear as it states in effect that if the Chinese Government wishes to replace, with new deeds of ownership, existing perpetual leases, it must do so without cost to the owner and that the new deeds must fully protect the holders of perpetual leases without diminution of their prior rights and interests including the right of alienation. The "Certificate of Other Rights" which the Chinese Government proposes to issue and which has been mentioned in despatches and cables is not only not satisfactory but also does not comply with the provisions of the treaty. From the treaty it is clear that the Chinese Government should issue to Americans the same deeds as it issues to Chinese. The Land Office contemplates revoking all *Tu Ti Cheng's* which it regards as temporary and proposes issuing new "Certificates of Ownership". If the Chinese Government decides to replace consular title deeds with new deeds, it should issue the proposed new "Certificate of Ownership" to the holders of consular title deeds. If it wishes, however, to validate perpetual leases by stamping them or by the issuance of a general edict, such procedure would appear not to impinge upon the treaty.

It can be seen from the memorandum of the conversation between Messrs. Josselyn, Bryan and T. K. Ho, which has already been forwarded to you, that the Chinese Government will agree to issue the same deeds to Americans as it proposes to issue to Chinese or to validate consular title deeds by stamping or general edict; provided the United States Government admits the second construction above mentioned of the word "possess" is correct.

Prior to leaving Shanghai, I discussed with P. R. Josselyn, American Consul General at Shanghai, the detailed procedure for handling this matter. It was suggested that the procedure might be broadly laid down as follows: First, the Shanghai Consulate General should circularize all holders of American consular title deeds requesting them

to bring their title deeds to the Consulate. Second, registered owners who are also the real owners should be required to make an affidavit stating that they are the actual owners as well as the registered owners. Third, if the Shanghai Consulate General is satisfied with the truth of the affidavit, it should give the owner a statement or certificate to the effect that he is the actual owner. Fourth, the owner should then take his consular title deed together with his statement or certificate, issued by the Shanghai Consulate General, to the Chinese Land Office for the issuance of a new deed or stamping without charge. Fifth, registered owners who are not beneficial owners should have their duplicate copy of the deed in the Consulate files marked cancelled. Sixth, beneficial owners who are not citizens of the United States should apply direct to the Chinese Land Office for the issuance of new deeds.

If this procedure is adopted, the treaties will be observed, and the Chinese will be satisfied.

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793.003/2-2046 : Telegram

*The Counselor of Embassy in China (Smyth) to the  
Secretary of State*

CHUNGKING, February 20, 1946—8 a. m.

[Received 10 : 59 p. m.]

330. Do files on 1943 Relinquishment Treaty throw light on construction of word "prior" in article IV, last line of paragraph 2 of treaty? (Refer Ruth Bacon<sup>16</sup>) Specific point is, does word "prior" refer to rights in existence before effective date of treaty or rights in existence at date of issuance of new deeds. Please send notes, if any, by airmail and cable correct construction of word "prior".

SMYTH

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793.003/2-2046 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, March 5, 1946—6 p. m.

401. General purpose of Article IV of 1943 Extraterritoriality Treaty (Urtel 330, Feb. 20, 1946, 8 a. m.) is to insure that American rights and titles to real property in China existing at time of conclusion of the Treaty would be indefeasible, subject to qualification that such rights and titles would be subject to Chinese laws concerning

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<sup>16</sup> Of the Office of Far Eastern Affairs.

taxation, national defense and the right of eminent domain, that such rights or titles might not be alienated to the Govt or nationals of any third country without the consent of the Chinese Govt and that such rights and titles would be fully protected by any replacement deeds issued by the Chinese Govt. In other words, rights and titles existing at time of conclusion of 1943 Treaty continue in force with qualifications mentioned and word "prior" contextually refers to rights in existence at date of issuance of new deeds. The word "prior" must also be construed as covering rights in existence at time of conclusion of 1943 Treaty with exceptions already mentioned.

Dept would be interested to learn purpose of inquiry.

BYRNES

793.003/3-1546 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, March 15, 1946—2 p. m.

[Received March 21—1 : 37 p. m.]

494. Purpose of Embtel 330, February 20, 8 a. m. (Reurtel 401, March 5) was to enable us to answer inquiry made by Josselyn at Shanghai in his despatch No. 61 [21], February 9,<sup>17</sup> reconstruction of article 4 of 1943 extraterritoriality treaty. Copy of Josselyn's despatch has been forwarded to Dept by Shanghai. Copy of our reply to Josselyn being sent by air mail.<sup>18</sup>

SMYTH

793.003/3-1546

*The Counselor of Embassy in China (Smyth) to the Consul General at Shanghai (Josselyn)* <sup>19</sup>

CHUNGKING, March 15, 1946.

SIR: The receipt is acknowledged of your despatch no. 21 dated February 9, 1946 <sup>17</sup> regarding the construction of Article IV of the Sino-American Treaty Relinquishing Extraterritorial Rights.

The construction of a treaty is a matter of law for the judicial, not the executive, authorities to determine, and the Embassy is, therefore, only able to express its informal opinion on this matter for your

<sup>17</sup> Not printed.

<sup>18</sup> *Infra*.

<sup>19</sup> Copy transmitted to the Department in the Embassy's despatch No. 1204, March 15; received April 2.



confidential information, without prejudice to the views of the Department of State and the decisions of American and Chinese courts.

In answer to your first question as to whether or not the restrictions on alienation contained in Article IV of the treaty apply to new deeds of ownership issued in exchange for existing titles, a correct answer would appear to be predicated upon the meaning of the words "prior rights" as they are used in the last line of paragraph two of Article IV of the treaty. The general purpose of Article IV is to assure that American rights and titles to real property in China existing at the time of the conclusion of the treaty would be indefeasible, subject to the following qualifications: (1) that such rights and titles should be subject to Chinese laws concerning taxation, national defense, and the right of eminent domain; (2) that such rights or titles should not be alienated to the government or nationals (including corporations or associations) of any third country without the consent of the Government of China; and (3) that such rights and titles should be fully protected by new replacement deeds issued by the Chinese Government. In other words, rights and titles existing at the time of the conclusion of the 1943 treaty continue in force with the qualifications above mentioned. The words "prior rights" contextually are understood to refer to the rights in existence upon the date of the issuance of the new deeds. Such a construction is confirmed when we consider that the "prior rights" which were in existence before the treaty was concluded have either been affirmed, extinguished or qualified by Article IV, and that the only rights now in existence are those specified in the treaty itself.

It follows, therefore, as a logical conclusion that the qualifications regarding taxation, national defense, eminent domain and the limitations on the right of alienation apply to new deeds of ownership issued in exchange for existing titles. The Chinese Government has declared in the supplementary exchange of notes to the treaty that the right of alienation of existing rights or titles to real property will be applied in an equitable manner. This means that, unless there is some good reason, the Chinese Government should not refuse American nationals, associations, or corporations the right and privilege of transferring existing titles to any person, corporation or government.

In answer to your second question, as to whether or not American nationals can acquire real property in China, it is pointed out that Article III of the Sino-American Commercial Treaty (1903) <sup>21</sup> contains a most-favored-nation clause regarding persons and property. It is doubtful whether or not this most-favored-nation clause is still in force because the Sino-American Treaty (1943) contains provisions

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<sup>21</sup> Signed October 8, 1903, *Foreign Relations*, 1903, p. 91.

which might be used to support two different views. Article VII, paragraph two, of the treaty (1943) seems to infer that Article III of the Sino-American Commercial Treaty (1903) might possibly still be in force, while the supplementary exchange of notes relinquishes rights in treaty ports which would seem to infer that Article III of the Sino-American treaty (1903) is no longer in force. Paragraph three of the Annex to the Sino-British Treaty Relinquishing Extra-territorial Rights (1943),<sup>22</sup> *inter alia*, provides that the nationals of each High Contracting Party have the right to acquire and hold real estate in the territory of the other High Contracting Party according to the laws of that High Contracting Party. The Embassy expresses no opinion as to whether or not the treaties now in force grant to American nationals the right to acquire and hold property in China.

In answer to your third question as to whether or not the new commercial treaty will contain provisions regarding land, the Embassy wishes to point out that this treaty is now under negotiation. In view of the confidential character of the negotiations, the Embassy is not now in a position to give the American Association any information on the projected provisions of the new treaty.

Very truly yours,

For the Chargé d'Affaires ad interim,  
ROBERT L. SMYTH

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S93.5200/4-346 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, April 3, 1946—7 p. m.

[Received April 10—6: 10 a. m.]

620. Additional facts received from Josselyn concerning Shanghai Consular deeds (see Deptel 76, January 12,<sup>23</sup> Shanghai's 128, January 29,<sup>24</sup> Embassy's despatch 1094, February 8) follow:

Officer of Shanghai Consulate visited Chen Pao-hua, Deputy Commissioner Land Administration Shanghai Municipal Govt, March 14. Chen's attention invited to article appearing in Shanghai *Herald* March 8 which stated time limit for filing applications for re-registration real property was March 18 and anyone who delayed filing application would be penalized 10% of total registration fee. Chen was informed Consulate had no official knowledge this ruling and could give no weight to newspaper story. Officer pointed out American Govt considered some provisions of new land regulations (evidently those published by Shanghai City Govt) impinged spirit of relinquishment treaty and that discussions now proceeding in Chungking between

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<sup>22</sup> Signed January 11, 1943, *British and Foreign State Papers*, vol. 145, p. 129.

<sup>23</sup> See footnote 8, p. 1313.

<sup>24</sup> Telegram No. 128 not printed.

Embassy and Chinese Govt for settling divergent views. Chen replied applications for registration would be accepted after March 18 if applicant had good excuse in which case no penalty would be imposed. Chen seemed to consider discussions between Embassy and Chinese Govt good excuse. Chen thought there would be one type deed for both aliens and Chinese and that plans for issuance such deeds were proceeding. Americans would probably be issued deeds of ownership on reciprocal basis.

Meaning of "reciprocal basis" is not clear from Josselyn's report but presumed to mean Americans domiciled in States permitting Chinese to own land will be given new deed in exchange for perpetual leases. Chen's statement apparently confirms statement T. K. Ho January 28 that Americans should not worry about time limit but should await settlement whole matter. (Shanghai despatch 80 to Department, January 30.) Chen evidently does not wish to admit mistake was made so will not penalize if there is good excuse.

Josselyn is requested to file courteous caveat as matter of precaution with Shanghai Land Bureau, calling attention to fact that article 4 relinquishment treaty does not specify time limit within which perpetual leases may be changed for deeds of ownership and that no fees can be charged. (Sent Department 620, repeated Shanghai 245.)

Embassy feels Chinese will agree to settle matter along lines indicated in Embassy's despatch 1094, February 8 and would appreciate Department's instructions regarding new deed of ownership (Shanghai despatch 80 to Department, January 30) and detailed procedure (see penultimate paragraph Embassy's despatch No. 1094, February 8) for handling matter.

SMYTH

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893.5200/2-846 : Telegram

*The Acting Secretary of State to the Embassy in China*

WASHINGTON, May 17, 1946—noon.

140. Dept approves procedure set forth penultimate paragraph memo enclosed Emb despatch 1094, Feb. 8 regarding re-registration American consular title deeds Shanghai (Embtels 620 Apr. 3 and 776 May 9<sup>25</sup>). In event question raised Dept feels it desirable to press Chinese authorities for issuance new "certificates of ownership" rather than validation of existing consular title deeds by stamping.

Sent Emb Nanking as 140. Repeated Shanghai as 862.

ACHESON

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<sup>25</sup> Latter not printed; it urgently requested Department's instructions (893.5200/5-946).



893.5200/6-3046 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

NANKING, June 30, 1946—9 a. m.

[Received July 1—2: 25 p. m.]

1069. Title deeds. Embassy handed note to FonOff May 28<sup>26</sup> inviting attention to fact administrative procedure promulgated by Chinese Land Bureaus in connection replacement land documents seems to violate provisions article 4 of 1943 treaty; stating Embassy would be pleased discuss matter with FonOff; and requesting enforcement administrative procedure be suspended pending discussion between Embassy and FonOff; note reserved all rights granted by article 4.

On May 29 Embassy officer discussed matter with FonOff and suggested matter could be settled according to procedure authorized by Deptel 140, May 17. On June 4 Embassy officer delivered *aide-mémoire*<sup>26</sup> to Dr. Wang Hua-cheng of FonOff which stated administrative procedure promulgated by Shanghai City Govt in 1945 and 1946 (see Shanghai despatches 3 and 5 of Nov 22 and Dec 7, 1945) seemed to conflict with article 4 in four particulars:

1. Issuing of certificate of other rights which is only 20 years lease according to article 449 of Chinese Civil Code instead of deed of ownership.

2. Charging of fees.

3. Fixing of time limit.

4. Sequestering of property, registration of which is not effected within prescribed period. *Aide-mémoire* also stated that in order settle matter in spirit amity and friendship, Embassy with approval State Dept suggested procedure set forth penultimate paragraph memorandum enclosed Embassy's despatch 1004 [1094], Feb 8 be adopted.

June 12 Dr. Wang informally told officer of Embassy he had discussed matter with Chinese officials concerned and advised them to replace perpetual leases and other documentary evidence of title with deeds of ownership without charging fees of any sort. He expressed opinion matter would be settled in manner satisfactory to all parties concerned.

Officer of Embassy and of Shanghai Consulate conferred with Mayor Wu<sup>27</sup> of Shanghai June 19. Mayor stated he was prepared agree to all American proposals with one exception (where land held by Americans outside areas set apart for foreigners in article 3 of 1903 treaty. Most such titles held on declarations of trust or liens issued by Chinese registered owners of land). Mayor contended such titles illegal and if transferred to American essential they pay fees. It was

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<sup>26</sup> Not printed.

<sup>27</sup> K. C. Wu.

pointed out to Mayor that Article 4 of 1943 treaty validated such titles and that American owners, although only holding land on declaration of trusts or liens were entitled to all benefits under article 4. Further pointed out to Mayor this is not local but national matter for settlement by Central Govt. Copy of Executive Yuan Order 7364 given to Mayor (Embassy despatch 518, July 2, 1945<sup>28</sup>). In view of this order Embassy feels final settlement should be by national legislation.

Mayor finally agreed that, in view new land law promulgated April 29 this year, administrative regulations at Shanghai had lapsed.

Embassy confidentially informed that Legislative Yuan now drafting regulations to implement article 4 of 1943 treaty. Several members Legislative Yuan and FonOff are of opinion that article 4 will be strictly observed; that this is national matter, and that as implementing article 4 will be enacted.

Embassy will follow matter and believes satisfactory settlement will be made. In meantime we feel American title holders should await legislation before registering property.

Would appreciate Dept sending Embassy minutes of negotiations of article 4 of 1943 treaty by airmail.<sup>29</sup>

Sent Dept 1069, repeated Shanghai 433, June 30, 9 a. m.

SMYTH

125.8571/9-646 : Telegram

*The Consul General at Shanghai (Davis) to the Secretary of State*

SHANGHAI, September 6, 1946.

[Received September 6—6:25 a. m.]

1659. Following telegram received from Embassy Nanking:

"55 [555], August 30. Title deeds Foreign Office in reply of August 24<sup>30</sup> to Embassy third person note May 27, 1946 and *aide-mémoire* of July [June] 3<sup>31</sup> has stated that the following two principles governing the issue of title deeds to foreigners in the various places in exchange for their deeds of perpetual lease were submitted to, and have been authorized by, the Executive Yuan. Where the land is under perpetual lease to a foreigner, the holder of the perpetual lease shall be the owner, but where land under perpetual lease has been transferred in whole or in part, the holder of [actual] rights shall be the owner; 2. if the government of a holder of perpetual lease has concluded a new treaty of equality with China in which it provided that title deeds shall be issued in exchange without the collection of any

<sup>28</sup> *Foreign Relations*, 1945, vol. VII, p. 1390.

<sup>29</sup> In instruction No. 7, August 2, the Department replied that no minutes had been recorded but it cited various drafts and memoranda of conversations pertinent to the point at issue.

<sup>30</sup> Not printed.

<sup>31</sup> Neither printed.

fee whatsoever, then in accordance with the treaty no fee whatsoever shall be collected.

The Executive Yuan has instructed the Shanghai Municipal Government to issue the instructions necessary to effect compliance with the above stated principles. As regards these items of registration procedure proposed in the Embassy's *aide-mémoire*, they are in large part included in the Shanghai Municipal Government's procedure for the registration of foreigners tax deeds, and the Shanghai Municipal Government has carried on negotiations with the American, British, French Consulates General at Shanghai in this connection, the results of which, submitted to the Executive Yuan, are in process of decision."

Suggest that after review this action you send such information to Dept as deemed necessary.

The Consulate General's reply is being repeated to Dept by separate telegram.<sup>32</sup>

DAVIS

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125.8571/9-646 : Telegram

*The Consul General at Shanghai (Davis) to the Secretary of State*

SHANGHAI, September 6, 1946.

[Received September 6—6 : 20 a. m.]

1660. Method outlined in Foreign Office note appears satisfactory as far as leases in perpetuity are concerned, but since much land in China is held by Americans under documents other than leases in perpetuity it is believed that a clarification of the intentions of the Chinese Government in regard to these other documents of title should be ascertained, if possible, prior to the enforcement of the two principles (reference Embtel 555, August 30, to Shanghai<sup>33</sup>). Consul General suggests that Embassy answer Foreign Office note substantially as follows:

First, request clarification as to whether two principles also apply to other documentary evidence relation to real property, such as land-grants, mortgages, perpetual leases issued to missionaries, land ownership certificates, and applications pending before the war; and second, request that appropriate authorities be approached with idea of having them hold in abeyance enforcement of two principles now presumably applicable only to leases in perpetuity until whole matter is settled.

Unless this matter is clarified we may have only partial settlement, which might prejudice rights of holders of other documentary evi-

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<sup>32</sup> *Infra*.

<sup>33</sup> See telegram No. 1659, *supra*.



dence relating to real property. Early answer to Foreign Office would be appreciated as local authorities are eager to enforce two points at early date.

Sent to Nanking as 949, September 6.

DAVIS

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893.52/9-646

*The Consul General at Shanghai (Davis) to the Secretary of State*

No. 276

SHANGHAI, September 6, 1946.

[Received October 2.]

SIR: I have the honor to enclose a memorandum <sup>34</sup> regarding American Rights in Real Property in China, which is in amplification, but not modification, of the memorandum concerning Shanghai Consular Title Deeds which was forwarded by the Embassy to the Department by airmail despatch no. 1094 dated February 8, 1946.

The Department in its telegram no. 862 of May 17, 1946 <sup>35</sup> approves the procedure set forth in the penultimate paragraph of the memorandum concerning Shanghai Consular Title Deeds, and the enclosed memorandum demonstrates that the same procedure is applicable to all real property owned by American nationals (including corporations or associations) in China, regardless of the nature or kind of the titles involved.

The enclosed memorandum discusses in its introduction the Chinese Land Law as it existed prior to the advent of extraterritoriality and then sets forth the nature of the rights and privileges which Americans were entitled to enjoy in China with reference to real estate according to the old treaties, after which the different kinds of titles held by Americans prior to the signing of the Sino-American Treaty of 1943 are mentioned and discussed.

The more important of these titles are *Tien Tans*, Perpetual Leases Issued to Missionaries, Consular Title Deeds, Declarations of Trust, Applications Pending before the War, and Land Ownership Certificates, and after discussing these titles in detail the author of the memorandum expresses the opinion that (1), American registered owners of land who are also the real and beneficial owners are the legal owners and possessed of the land to which the documents relate, and such owners are entitled to the benefits of Article IV of the Sino-American Treaty of 1943; (2) American beneficial owners who hold documents of title registered in the names of nationals other than Americans

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<sup>34</sup> Not printed.

<sup>35</sup> See last paragraph of telegram No. 140, p. 1326.

(including corporations or associations), together with other satisfactory documentary proof, regardless of the type or kind, are the legal owners and possessed of the land to which the documents relate and such owners are entitled to the benefits of Article IV of the Sino-American Treaty of 1943; and (3), non-American beneficial owners whose property is registered in the names of American nationals (including corporations and associations) are not entitled to the benefits of the Sino-American Treaty of 1943.

The memorandum also construes Article II, paragraph 3, and Article IV of the Sino-American Treaty of 1943, the new Land Law, and explains why the conflicting clauses of the Sino-American Treaty of 1943 and the new Land Law are not in fact incompatible.

In conclusion the memorandum states, *inter alia*, that the legal theories and their application as demonstrated therein are "logical, consistent, and compatible with Article II, paragraph 3, and Article IV of the Sino-American Treaty of 1943."

Respectfully yours,

MONNETT B. DAVIS

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893.52/10-1846 : Telegram

*The Consul General at Shanghai (Davis) to the Secretary of State*

SHANGHAI, October 18, 1946.

[Received October 18—10:20 a. m.]

2034. Bryan and officer of Consul[ate] General yesterday called on Commissioner Shanghai Land Bureau for clarification procedure for registration American owned land and issuance new title deeds. Regulation of Executive Yuan notified to Consul General by Municipal Govt on October 14 mention[ed] in terms only issuance new deeds for perpetual [leases?] be regarded as legal owner, and stipulate issuance of new deeds to be without payment of fees. (Re Mytel 949, September 6.<sup>36</sup>)

Commissioner stated term "perpetual lease" in Executive Yuan's regulations cover only perpetual leases, but pointed out that certificates of land ownership (*Tu Di Cheng*) have same legal effect, stating that holders of these two types of documents might apply for issuance new title deeds at once. With reference to holders other types of ownership evidence Commissioner stated they should first apply to Bureau for Registration of Land in their names, after which they might apply for issuance new title deeds. This procedure required of Chinese and foreigners alike and is necessary under Chinese Land Law to establish legal ownership; Commissioner stated specific approval of Executive Yuan not necessary for this.

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<sup>36</sup> See last paragraph of telegram No. 1660, p. 1329.

Commissioner also stated that in conformity with treaty, no charge whatever would be made against American owner in connection procedure of formally registering land in their names or with issuance new title deeds. In case American owners wish to transfer land to persons of other than Chinese or American nationality after date of 1943 Treaty, they must first apply to and obtain from Land Bureau, being proper agency to apply to for Chinese Government consent.

Commissioner agreed to procedure suggested by Consul General for certifying to American ownership of land, which is as follows:

(1) American owners will be required submit evidence to Consul General they are real or beneficial owners;

(2) American owners at same time will be required to make sworn statement they are real or beneficial owners;

(3) On basis this evidence Consul General will then issue certificate to Land Bureau stating American owner, to best its information and belief, is all [*real*] or beneficial owner.

Other minor procedural matters discussed and complete agreement reached.

Full report follows by despatch.<sup>37</sup>

Consul General and Bryan believe this arrangement complies with article Four of treaty (despatch 276, September 6) and if Embassy and Department perceive no objection will advise American owners of land this district to apply for registration and issuance new title deeds in accordance procedure outlined above.

[DAVIS]

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893.52/10-2146 : Telegram

*The Consul General at Shanghai (Davis) to the Secretary of State*

SHANGHAI, October 21, 1946—2 a. m.

[Received 2:47 a. m.]

2044. Land titles. The matter of replacement of leases in perpetuity or other documentary evidence by new deeds of ownership having been settled subject to Dept approval, Consulate General proposes to apply to Land Bureau for issuance of new deed of ownership for lot of land owned by US Gov't on Whangpoo Road, Shanghai, as evidenced by US title deed 2222 (Mytel to Dept 2034, October 18).

Consulate General wishes US Gov't to be first applicant because (1) it will give confidence to American landowners and (2) please Chinese authorities.

If Dept perceives no objection please reply earliest.

DAVIS

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<sup>37</sup> Despatch No. 109, October 19, not printed.



893.52/10-1846 : Telegram

*The Acting Secretary of State to the Consul General at Shanghai  
(Davis)*

WASHINGTON, November 29, 1946—7 p. m.

2173. Dept perceives no objection to application by American interests for registration and issuance new title deeds accordance procedure outlined Urtel 2034 Oct 18. Interested Americans should be informed however that such documentation prepared in ConGen only prima facie evidence American ownership as question one for judicial decision Chinese authorities. As indicated Deptel 2048 Nov 8<sup>38</sup> notarial services this connection may be performed gratis under Item 38. Care should be exercised in ascertaining American interests are protected fullest extent contemplated Article 4, 1943 treaty (Sent Shanghai, repeated Nanking as Dept's 1104).

ConGen authorized apply for new deed ownership Whangpoo Road property (Urtels 2044 Oct 21 and 2247 Nov 15<sup>39</sup>) including submerged areas subject reclamation. Copies new deeds govt property should be forwarded Dept.

ACHESON

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<sup>38</sup> Not printed.

<sup>39</sup> Latter not printed ; it requested a reply to telegram No. 2044, *supra*.

ATTITUDE OF THE UNITED STATES IN OPPOSITION  
TO TAXATION OF UNITED STATES GOVERNMENT  
AGENCIES AND PERSONNEL IN CHINA

701.0693/2-2046 : Telegram

*The Counselor of Embassy in China (Smyth) to the  
Secretary of State*

CHUNGKING, February 20, 1946—10 a. m.  
[Received 4:23 p. m.]

332. At request of Consulate General, Shanghai, Embassy on December 15 asked Foreign Office for exemption of properties occupied by American civilian agencies, Shanghai, from national tax on income derived from lease of property, an exemption already established for property occupied by US Armed Forces. Foreign Office replied December 31 that portion of tax leviable on income derived from lease of property which is to be borne by lessee may be exempted, but portion borne by lessor must be paid as usual. Meaning of this statement unclear, but it apparently amounts to denial of exemption, as Shanghai despatch No. 12, January 12 to Embassy (copies to Dept) encloses letter from Shanghai Direct Tax Bureau <sup>1</sup> stating that exemption cannot be granted. Consulate General states that tax will be very heavy one, probably far exceeding any tax Chinese consular establishment in US may be required to pay. USIS office, Shanghai, reports tax amounts to nearly 50% of rental, and that payment practically impossible under present budget. (Sent Dept as 332; repeated Shanghai 713, Tientsin 18.)

Lack of international law books and treaty series in Embassy makes impossible thorough study this question here. Therefore, Dept's instruction requested regarding desirability pressing further for exemption. Since tax is national, question of payment will arise throughout China in connection with lease of property by (1) Dept for Embassy offices and residences of Embassy personnel (some leases concluded Nanking require payment taxes by lessee). (2) Dept for consular officer (*offices?*) and residences consular personnel. (3) Dept for USIS offices and residences USIS personnel. (4) Individual diplomatic, consular, and USIS personnel for residences. (5) Other US Govt agencies, such as War Shipping Administration.

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<sup>1</sup> Neither printed.

As some offices have already been requested to pay this tax, Dept's early reply would be appreciated.

SMYTH

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701.0693/2-2046 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, March 18, 1946—6 p. m.

486. Taxes on leased Govt-occupied properties (Embtel 332, February 20). For legal background requested, US takes general position one Govt should not tax another Govt or property thereof used for public purposes. Individual properties of foreign Govt officers not legally exempt unless head of diplomatic mission. In cases of property leased or rented to Govt, legal distinction is whether tax is imposed on lessee Govt or imposed on landlord. Legal right of exemption is confined to taxes imposed directly on Govt, and does not extend to tax imposed on landlord though burden passed on to lessee Govt or officer. Foregoing is in absence of treaties, which may extend exemptions. (Repeated to Shanghai <sup>2</sup>.)

US practice exempts from all taxes and assessments, except charges for services such as water-rates, all property used for official diplomatic purposes which is owned by foreign Govt or diplomatic officer. Dept would regard taxation of such Emb property contrary to international law and practice. Same applies to residence of head of diplomatic mission; but in US exemption is not believed to extend to residences of other diplomatic or consular officials or employees other Govt agencies, when not Govt-owned. Exemptions in US, in absence of treaty, are confined to taxes imposed on Govt or on head of diplomatic mission, and do not extend to taxes imposed on landlord and passed on to Govt or officials as tenant.

Dept in note April 12 [*March 18?*], 1944 <sup>3</sup> informed Chinese Emb that consular property in California owned by Chinese Govt would not be taxed if Chinese Govt could assure Dept that reciprocal exemption granted in China. Chinese Emb here recently requested and obtained tax exemption for building newly bought by Chinese Supply Commission in Washington.

Answering specific inquiries, legal right to exemption apparently limited to taxes imposed on US Govt, and to this extent Chinese FonOff statement December 31 regarding leases legally sound in distinguishing portion of tax borne by lessor from that borne by lessee Govt, and exempting only latter. However, despite lack of legal

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<sup>2</sup> As telegram No. 409.

<sup>3</sup> Not printed.



right to exemption, Emb should request exemption from taxes on landlord which are in fact passed on to US Govt, and may in its discretion request exemption from taxes passed on to individual Govt officials. Case is strongest for Govt and head diplomatic mission, next for other diplomatic officers. High rate of Chinese tax, greatly in excess of similar taxes imposed in US, and fact that in reality it is paid by lessee through increased rent, adds weight to argument that tax constitutes encumbrance on operations of this Govt and attempt to impose on US and US officials inappropriate obligation to contribute to public expenses and support of China.

BYRNES

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125.8571/4-1546 : Telegram

*The Consul at Shanghai (McKenna) to the Secretary of State*

SHANGHAI, April 15, 1946.

[Received April 15—7:35 a. m.]

643. Prolonged discussions with landlord regarding new realty taxes which were in process and are now imposed plus uncertainty as to possible exemption of American Government have delayed signing of lease on Development Building consular quarters until present (Shanghai's serial 643 repeated to Chungking as 356, April 15) authorization of \$17,075 per annum (Deptel 268, December 7<sup>4</sup>). We have had to agree to new paragraph 11 reading as follows:

"Taxes. The lessee shall hold the lessor harmless and free from payment of the assessments on the leased premises of the Shanghai Commission and also for the rent tax assessed by the National Government of China upon the lease of real property. The lessor shall pay all other charges of a public nature which are, or may be, assessed against the property of which the premises covered by this lease form a part; provided, however, that if additional taxes or public levies, at present unforeseen, over and in addition to those above stated, are imposed upon either the lessor or the lessee in connection with the demise or the leased premises to the extent that such taxes or levies aggregate more than 10% of the total yearly rental payable by the lessee, then either the lessor or the lessee, whichever is the burdened party, reserve the right to require a revision of the terms of this agreement".

Reference exemption from taxes, see Deptel 409 for March 18.<sup>5</sup>

Moving of clause and 10% figure arrived at after seeking advice of experienced army leasing officer and real [estate?] men.

Present terms of 75 cents per square foot abnormally low for Shanghai. Army with all its bargaining resources paying \$1 per square

<sup>4</sup> Not printed.

<sup>5</sup> See footnote 2, p. 1335.

foot for exactly similar premises in same building. Rates in neighboring Hamilton House across street \$2 per square foot for comparable space with landlord being held harmless for all municipal house taxes now amounting to a total of 28% which is based on 180 times 1937 rentals. Reference Deptel 514 of March 29. Hamilton House rates and conditions considered average for Shanghai.

Request approval for paragraph 11 in Development Building lease and tax provisions in Hamilton House lease. Refer Shanghai serial 511, March 26.<sup>6</sup>

McKENNA

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125.8571/4-1546 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, May 24, 1946—7 p. m.

198. ConGen Shanghai being required include in leases on space in Development Bldg. and Hamilton House clauses requiring payment taxes by Govt. Shanghai's 643 repeated Chungking as 356 Apr 15. See Deptel 486 Mar 18. Dept advised by Nanking's 88, Apr 9<sup>6</sup> FonOff assured Emb no taxes would be levied against Emb leases Nanking. Shanghai's 158 Feb 5<sup>6</sup> repeated Chungking as 67 advised exemption from municipal tax on ConGen premises Cathay Hotel obtained Jan 1 through Emb efforts. Please take up with FonOff and endeavor obtain similar exemption from taxes on ConGen premises in Development Bldg and Hamilton House, Shanghai.

Repeated to Shanghai as Deptel 915.

BYRNES

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125.8571/6-346 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

NANKING, June 3, 1946—4 p. m.

[Received June 4—6:25 a. m.]

908. In response Department's 486, March 18, Embassy in detailed note 133 April 11<sup>6</sup> requested Foreign Office that Chinese Government exempt agencies of US Government and its officials throughout China from payment of taxes which are shifted to and paid by such agencies and officials. Subsequently, at request Consul General, Shanghai, Embassy requested Foreign Office instruct Shanghai Municipal Gov-

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<sup>6</sup> Not printed.

ernment delay collection tax on rental development building for which Consulate had received tax bill covering first two quarters 1946 until decision reached on original request. Foreign Office agreed to suggestion and notified Shanghai Municipal Government to this effect.

In view of foregoing, Embassy believes action requested in Deptel 198, May 24, 7 p. m. should await reply of Chinese Government to representation already made.

Sent Department repeated Shanghai 376.

SMYTH

125.8571/6-346 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, June 6, 1946—6 p. m.

247. Satisfactory await reply Chinese Govt to representations already made on exemption agencies and officials US Govt from taxes. Urtel 908 June 3. Keep Dept informed.<sup>9</sup>

Repeated to Shanghai as Deptel 1003.

BYRNES

125.8571/5-646 : Telegram

*The Secretary of State to the Consul General at Shanghai (Davis)*

WASHINGTON, July 12, 1946—6 p. m.

1256. From standpoint of legal and policy considerations Govt should not assume obligation to pay taxes incidence of which would not otherwise fall upon it. This especially true at present time in China in view uncertainty as to exemption Amer Govt properties and in view Dept's desire to arrive at satisfactory basis for tax treatment of Govt properties. Therefore not considered wise to complicate subject by having Govt agencies assume responsibility for taxes on contractual basis which ordinarily would fall on other persons. (Urtels 643 & 792<sup>10</sup>)

Leases Development Bldg and Hamilton House with proposed tax clauses should not be signed pending determination tax issue. In meantime suggest informal interim agreement be made by exchange

<sup>9</sup> A reply from the Chinese Foreign Office, dated August 10, referred only to the income tax on lease of property and said exemption could not be granted as tax was on the lessor of the property (Nanking Embassy file 851.2 Shanghai house tax).

<sup>10</sup> Telegram No. 792, May 6, not printed.



letters or memorandum of agreement so that rent, exclusive of taxes, can be paid. This interim agreement should be assigned contract number and furnished Dept in original and duplicate. (Repeated Nanking.<sup>11</sup>)

ACHESON

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124.931/11-646 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, November 6, 1946—11 p. m.

[Received 11:10 p. m.]

1818. In effecting transfer to us of real estate under surplus sales agreement,<sup>12</sup> question of payment of transfer rates and other taxes arises. Embassy suggests Department may wish authorize negotiation with Chinese for agreement waiving taxes, fees, etc., in connection with purchase government property. In such event please provide draft of proposed agreement, such as Department is said to have effected with other countries.

STUART

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124.931/11-646 : Telegram

*The Acting Secretary of State to the Ambassador in China (Stuart)*

[Extract]

WASHINGTON, November 8, 1946—7 p. m.

1019. . . .

Reurtel 1818 Nov 6 Dept would expect Chinese Govt to waive any taxes fees etc on all property acquisitions and improvements under surplus property agreement on simple basis reciprocity. No transfer taxes or fees charged in US other than recording stamp fee amounting to only few dollars. In negotiations for acquisition full amount transfer taxes fees etc should be credited to US Govt after price property established. Please negotiate carefully on this basis since Dept rather than owners should benefit under this type waiver.

ACHESON

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<sup>11</sup> As No. 439.

<sup>12</sup> For correspondence on agreement signed at Shanghai on August 30, see pp. 1033 ff.

124.931/11-1946 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, November 19, 1946—11 a. m.

[Received 4:35 p. m.]

1906. ReEmbtel 1818, November 6 and last paragraph Deptel 1019, November 8. Please inform whether following portion draft note to Foreign Office is acceptable "in view of the fact that the properties thus (under terms surplus sales agreement) to be acquired are part of the consideration relating to the agreement, my Govt feels that the Chinese Govt should waive any taxes, fees and other imposts pertaining to the transfer to the United States Govt of such properties.

My Govt is willing to agree, on a reciprocal basis, that all transfer taxes, fees and other imposts be waived in connection with the acquisition of real estate in the United States by the Chinese Govt."

STUART

125.8571/11-2746 : Telegram

*The Consul General at Shanghai (Davis) to the Secretary of State*

SHANGHAI, November 27, 1946—9 p. m.

[Received November 28—8:40 p. m.]

2346. Acting on authorization Deptel 2129, November 22,<sup>13</sup> and oral approval of Embassy and Dr. S. Y. Liu, designated by Dr. T. V. Soong<sup>14</sup> to deal with property program under agreement August 30, I accepted, under yesterday's date, offer of owner of property at 70 Route Doumer to sell for \$450,000 payable in Chinese currency at official rate plus 20 per cent (subject to terms of agreement dated August 30, 1946) or a total of CNC one billion eight hundred million, which includes all charges incident to transfer, such as registration or measurement fees, deed fees, deed tax attorneys' services, and other charges of any nature, above amount also to include repairs and alterations agreed upon, particularly the placing of heating equipment in working condition and certain alterations required in apartments for immediate occupancy.

Owner's agent indicated acceptance satisfactory, but tax situation now threatens success of deal. Robert T. Bryan,<sup>15</sup> who has been retained to draw up contract, advises that transfers of real property are subject to six types of taxes: (1) Registration fee, two-tenths of 1

<sup>13</sup> Not printed.

<sup>14</sup> President of the Chinese Executive Yuan.

<sup>15</sup> American lawyer, formerly Municipal Advocate of Shanghai International Settlement.

percent now imposed on buyer; (2) deed fee, up to 2 percent; (3) deed tax,  $7\frac{1}{2}$  percent of value, which tax is collected from buyer; (4) income tax, which in case of Route Doumer property is estimated at 50 percent, which is required to be deducted by purchaser from price paid; (5) increment tax, payable every 10 years, from 20 to 80 percent of increase in value of land (it is not clear from whom such tax is collected or how it is figured); and (6) an excess profits tax.

The first three represent nearly 10 percent of amount to be paid which with income tax deduction would leave seller only about 40 percent or 720 million. Converted at present rates he would have to pay for dollars, this represents only about \$150,000 as compared with selling price of \$450,000. It goes without saying that unless some relief can be obtained from foregoing excessive requirements there will be no possibility of concluding this transaction, nor of purchasing any other private property. Please advise what Embassy proposes doing in the cases.

Sent Nanking 1329, repeated to Washington as 2346.

DAVIS

124.931/11-1946 : Telegram

*The Acting Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, November 29, 1946—7 p. m.

1102. Portion draft note to FonOff Urtel 1906 Nov 19 acceptable with addition of "except minor fees for filing documents".

ACHESON

125.8571/11-2746 : Telegram

*The Acting Secretary of State to the Consul General at Shanghai (Davis)*

WASHINGTON, December 6, 1946—7 p. m.

2208. Consult Emb Nanking regarding necessary action to insure waiver on taxes connection acquisition real estate under agreement Aug 30 Urtel 2346 Nov 27. Dept expects Chinese Govt waive all taxes on reciprocal basis except minor filing fees. Such waivers should benefit US exclusively and not vendors of any property. Use this factor carefully in negotiations.<sup>16</sup>

ACHESON

<sup>16</sup> On April 29, 1947, the Chinese Ministry for Foreign Affairs indicated its acceptance of the proposal for mutual waiver of taxes in connection with the acquisition of real estate.



## DECISION TO DISSOLVE THE CHINA CONSORTIUM <sup>1</sup>

893.516/11-1945

*Mr. Thomas W. Lamont* <sup>2</sup> to the Secretary of State

NEW YORK, November 19, 1945.

SIR: In 1939 we exchanged certain correspondence <sup>3</sup> with the Department as to the desire of the Managing Committee of the American Section of the China Consortium <sup>4</sup> to reduce their contribution to the expenses of the central "clearing" office in London, in view of the change in conditions which had taken place since the Consortium was organized; also because under the provisions of the Banking Act <sup>5</sup> the great majority of the members of the American Section were forbidden to undertake the principal function for which the Consortium was originally organized; namely, to render assistance to China through the issuance in the Western markets of such government and/or railway or public utility loans guaranteed by the Chinese Government as might be considered sound and marketable in the several Western markets.

An interim arrangement to reduce the contribution as mentioned above was made and payments were made by the Managing Committee of the American Group through the first half of 1941, subsequent to which date no further charges against the American Group have been made.

We recently asked the office of Messrs. Morgan Grenfell & Co. Limited to explore the present attitude of the Hongkong & Shanghai Banking Corporation, which acts as the Central Clearing Office, repeating our views that no useful purpose seemed to be served by maintaining the existence of the Consortium, at least so far as concerned the American Group members. In reply we have received the suggestion that we submit this tentative inquiry more formally and that we indicate to the Hongkong & Shanghai Banking Corporation that the American Group wishes to withdraw. We are given reason to

<sup>1</sup> For previous correspondence, see *Foreign Relations*, 1939, vol. III, pp. 721 ff.

<sup>2</sup> Of J. P. Morgan & Co., Inc., Representative of the American Group of the China Consortium.

<sup>3</sup> See letter of July 31, 1939, from Mr. Lamont to the Adviser on Political Relations (Hornbeck), *Foreign Relations*, 1939, vol. III, p. 731.

<sup>4</sup> For organization of the China Consortium, see *ibid.*, 1920, vol. I, pp. 497 ff.

<sup>5</sup> The Banking Act of 1933, approved June 16, 1933; 48 Stat. 162.

believe that the Hongkong & Shanghai Banking Corporation might be disposed to accept complete disbandment of the Consortium.

Under the circumstances set forth above, we are of the opinion that a majority of the members of the American Group would favor its withdrawal from the Consortium, but before communicating with the Hongkong & Shanghai Banking Corporation to such effect, we are writing to consult the Department.

We should appreciate word as to whether the Department interposes any objection. Although the files of the Department contain complete information in regard to the Consortium, nevertheless, as a matter of convenience to you at the present moment we have prepared the attached brief memorandum covering its general history.

Respectfully,

THOMAS W. LAMONT

[Enclosure]

*Memorandum by Mr. Thomas W. Lamont*

The International Consortium of Bankers for the Assistance of China had its beginning in 1909 when banking groups of Great Britain, France and Germany met to consider financing the construction of the Hukuang Railways<sup>6</sup> in China. In that year, during the administration of President Taft, the Open Door policy was being advocated in Washington, and the firm of J. P. Morgan & Co. were requested by the then Administration to organize an American Group to take its place with that International Group. This American Group consisted of J. P. Morgan & Co., Kuhn Loeb & Co., First National Bank and National City Bank. The International Consortium was organized in 1910 under agreements for the cooperation of the Groups in all Chinese business falling within their scope.

When the Wilson administration took power in 1913, Secretary Bryan,<sup>7</sup> probably possessed of the fantastic idea that this Consortium had been organized for the exploitation of China, announced publicly without prior warning to the American Group that our Government could no longer give its support to the Consortium.<sup>8</sup> This declaration resulted in the immediate withdrawal of the American Group from Chinese business, to the dismay of the other Groups.

However, in 1918, without any suggestion from the American bankers, the Wilson administration had a complete change of heart

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<sup>6</sup> For the inception of the Hukuang Railways loan, see *Foreign Relations*, 1909, pp. 144 ff.

<sup>7</sup> Secretary of State William Jennings Bryan.

<sup>8</sup> See telegram from the Acting Secretary of State to certain American diplomatic officers on March 19, 1913, 9 p. m., and letter from the American Group to the Secretary of State on March 19, 1913, *Foreign Relations*, 1913, pp. 170 and 171.

and requested that a new International Consortium be organized and a much enlarged American Group included.<sup>9</sup> Owing to the preoccupation of World War I the initial steps for the organization of the new Consortium were not instituted until the Spring of 1919, when Mr. Lamont, representing the American Group, met in Paris with representatives of the British, French and Japanese banking groups.

Subsequently difficulties arose as to certain claims of special rights made by Japan as to Inner Mongolia and Manchuria. Early in 1920, at the request of the Department of State and the British and French Foreign Offices, Mr. Lamont visited both Japan and China and succeeded in arranging a *modus vivendi* with Japan which was satisfactory to the other groups and the other powers. The China Consortium thereafter, in October 1920, completed its formal organization.

During the existence of the Consortium, the only business undertaken by the American Group arose out of a loan for \$5,000,000 made by the Group members to the Pacific Development Corporation,<sup>10</sup> secured by a note of the Chinese Government, previously owned by the Development Corporation. This loan to the Pacific Development Corporation was reduced by interim payments to \$3,600,000, and then defaulted in 1921. The collateral was not reduced to possession, by foreclosure, until 1928.

No interest was paid on the Chinese note after 1921, but in 1937 an arrangement negotiated with Dr. H. H. Kung, the Finance Minister of China, by Mr. Lamont revived it and resulted in the reduction in the claim for principal and in waiver of all overdue interest. While service on the new bonds at the modified rate was continued until January 1, 1939, it was then suspended due to conditions resulting as a consequence of Japan's attack on China.

The Chinese Government bonds acquired by the American Group at a net cost of about \$3,530,000 have had a market value as low as \$80,000. At the present time, the aggregate value based upon market quotations is about \$1,150,000. In addition to the depreciation represented by the foregoing figures, the amount of interest *unpaid*, computed at the contract rates in effect from time to time, first on the Pacific Development Corporation note and then on the Chinese Government note, was about \$3,800,000, disregarding interest due to default on the Chinese Government bonds which took place in 1939; such interest, accrued and unpaid, amounts to nearly \$1,000,000.

The potential and actual loss in this transaction, to the extent that continuous ownership was maintained, has fallen on the twenty-nine members of the American Group, including the Managing Committee.

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<sup>9</sup> See *Foreign Relations*, 1918, pp. 169 ff.

<sup>10</sup> For the inception of the Pacific Development Corporation loan, see *Foreign Relations*, 1919, vol. I, pp. 418 and 540 ff.



The loss of over \$500,000 in maintaining the expenses of the Group has fallen solely upon members of the Managing Committee, although it was contemplated that that expense would become a charge against any future earnings of the American Group.

Owing to the confused conditions obtaining in China, it will be noted that the Consortium has never actually functioned in any direct operation, and to the American Group it seems that there is no further reason for its existence, or at any rate no possibility of American participation on the original terms; the Federal law of 1933 which prohibits the issuance of securities by banking institutions in the United States effectively preventing participation.

[NEW YORK,] November 19, 1945.

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893.516/11-1945

*The Secretary of State to Mr. Thomas W. Lamont, of New York*

WASHINGTON, January 5, 1946.

MY DEAR MR. LAMONT: I thank you for your letter of November 19, 1945 affording the Department an opportunity to indicate whether it wishes to interpose any objection to the withdrawal of the American Group from the China Consortium.

Under the existing circumstances the Department does not wish to interpose any request affecting the American Group's judgement or action in the matter.

Sincerely yours,

JAMES F. BYRNES

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893.516/11-1945

*The Secretary of State to Mr. Thomas W. Lamont, of New York*

WASHINGTON, January 28, 1946.

MY DEAR MR. LAMONT: This Department has given further consideration to your letter of November 19, 1945 and the Memorandum on International Consortium of Bankers for the Assistance of China, attached thereto. You request the opinion of the Department with regard to the usefulness of maintaining the existence of the China Consortium, at least so far as concerns the American Group members.

This Department is in agreement with your view that no useful purpose would be served in existing circumstances by continuing the Consortium, either with or without the American Group members.

Sincerely yours,

For the Secretary of State:

EMILIO G. COLLADO

*Deputy on Financial Affairs to the  
Assistant Secretary for Economic Affairs*

893.51/6-1146

*The British Embassy to the Department of State*

In 1939 conversations were held between officers of the State Department and members of the staff of the British Embassy about the China Consortium.<sup>11</sup> It was agreed at that time that there was no need to discuss the dissolution of the Consortium.

2. The Hongkong and Shanghai Banking Corporation is about to suggest to the American group within the Consortium that the Agreement of 1920<sup>12</sup> should now be regarded as at an end. His Majesty's Secretary of State for Foreign Affairs<sup>13</sup> has been advised that the Consortium Agreement was discharged by the operation of law by reason of the outbreak of war between Japan on the one hand and the United States of America and the United Kingdom on the other. His Majesty's Government presume that the United States Government will share their view that the time is now opportune to dissolve the Consortium.

3. The French group will be informed of this suggestion and their agreement will be invited. It would appear to be unnecessary to say anything about the matter to the Chinese Government, who were not originally consulted, but His Majesty's Government would be glad to learn the views of the United States Government on this point.

WASHINGTON, June 11, 1946.

893.516/6-1446

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*Mr. Thomas W. Lamont to the Secretary of State*

NEW YORK, June 14, 1946.

SIR: We beg to refer to the recent interchange of correspondence with regard to the China Consortium, specifically the undersigned's letter of November 19, 1945, together with its accompanying memorandum, and the acknowledgments from the Department under dates of January 5 and January 28, 1946.

Subsequent to the receipt of the views expressed by the Department, we communicated with Morgan Grenfell & Co. Limited, pointing out that as The Hongkong and Shanghai Banking Corporation had been acting as central clearing agency for the Consortium, its counsel would be the natural source of legal advice in the operation of the main agreement.

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<sup>11</sup> See memorandum by the Adviser on Political Relations, August 2, 1939, the British Embassy's note of August 21, and the Department's reply of August 29, *Foreign Relations*, 1939, vol. III, pp. 734 and 735.

<sup>12</sup> Signed at New York, October 15, 1920, by the British, French, Japanese, and American banking groups, *Foreign Relations*, 1920, vol. I, p. 576.

<sup>13</sup> Ernest Bevin.

We have just received from The Hongkong and Shanghai Banking Corporation a letter which, as it takes a clear position regarding the effect of the outbreak of war with Japan on the provisions of the agreement, may be of interest to the Department. We therefore enclose a copy of such letter together with a copy of our answer.<sup>14</sup> You will note that we are requesting The Hongkong and Shanghai Banking Corporation to advise us as to the terms of the letter to be sent to the Chinese Government and the procedure for presentation of such letter.

The members of the Managing Committee of the American Group have approved the termination of the Consortium, or, as an alternative, the withdrawal of the American Group. Upon receiving word as to the dissolution of the Consortium we plan to advise the 32 members of the Group and obtain their confirmation of the dissolution of the American Group.

Respectfully,

THOMAS W. LAMONT

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893.51/6-1146

*The Department of State to the British Embassy*

The Department of State acknowledges the receipt of the Memorandum from the British Embassy dated June 11, 1946 informing the Department that the Hongkong and Shanghai Banking Corporation is about to suggest to the American group of the China Consortium that the Agreement of 1920 should now be regarded as at an end. The Memorandum also states that His Majesty's Government presumes that the United States Government will share its view that the time is now opportune to dissolve the Consortium, and requests the views of the United States Government regarding the desirability of informing the Chinese Government of the proposed action.

The Department of State is in accord with the views expressed in the Memorandum with respect to the dissolution of the Consortium, and also agrees that it appears to be unnecessary to consult with or inform the Chinese Government about the matter.

WASHINGTON, July 17, 1946.

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<sup>14</sup> Dated May 28 and June 14; neither printed.



893.516/6-1446

*The Secretary of State to Mr. Thomas W. Lamont, of New York*

WASHINGTON, July 17, 1946.

MY DEAR MR. LAMONT: I acknowledge with appreciation your letter of June 14, 1946 with enclosures, informing this Department of recent correspondence with the Hongkong and Shanghai Banking Corporation regarding steps to be taken towards termination of the China Consortium. The Department would be interested to learn of the action taken with reference to final dissolution of the Consortium, and of the procedure adopted for notifying the Chinese Government.

Sincerely yours,

For the Secretary of State:

WILLIAM L. CLAYTON

*Assistant Secretary*

893.516/10-1146

*The American Group of the China Consortium to the  
Secretary of State*

NEW YORK, October 11, 1946.

SIR: Reference is made to the recent interchange of the correspondence with regard to the dissolution of the China Consortium, particularly Mr. Lamont's letter of June 14, 1946 and your reply of July 17, 1946.

Enclosed herewith are copies <sup>15</sup> of the following letters:

Letter from the Hongkong and Shanghai [Banking] Corporation on behalf of the English Group dated September 28, 1946.

Reply to the foregoing letter on behalf of the Managing Committee of the American Group.

Letter to the members of the American Group dated October 11, 1946.

You will see from the foregoing letters that the American Group has given authority, so far as it is concerned, to dissolve the Consortium. You will also see that the American Group is to be formally dissolved within the next few weeks.

The question of notifying the Chinese Government was raised in the September 28 letter from Hongkong and Shanghai Banking Corporation. In view of the observations contained in that letter, the American Group does not contemplate any notification to the Chinese Government, but if the Department decides to take any steps along

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<sup>15</sup> None printed.

such lines, the Managing Committee of the American Group would appreciate such information as the Department may see fit to communicate.

Respectfully,

A. M. ANDERSON  
On behalf of the Managing Committee of the  
American Group of the China Consortium

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893.516/12-2746

*The American Group of the China Consortium to the  
Secretary of State*

NEW YORK, December 27, 1946.

SIR: Referring to our letter to you of October 11, 1946 we enclose copy of a letter <sup>16</sup> which is being sent today to the members of the American Group of the China Consortium informing them that the American Group is dissolved and the Agreement of July 30, 1918 <sup>17</sup> is terminated.

Respectfully,

A. M. ANDERSON  
On behalf of the Managing Committee of the  
American Group of the China Consortium

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<sup>16</sup> Dated December 27, not printed.

<sup>17</sup> *Foreign Relations*, 1918, p. 185.

INTEREST OF THE UNITED STATES IN ARRANGEMENTS  
FOR ASSUMPTION BY CHINESE GOVERNMENT OF  
OBLIGATIONS AND LIABILITIES OF THE FORMER  
DIPLOMATIC QUARTER AT PEIPING AND INTER-  
NATIONAL SETTLEMENTS AT SHANGHAI AND AMOY <sup>1</sup>

893.102/1-246 : Telegram

*The Chargé in China (Robertson) to the Secretary of State*

CHUNGKING, January 2, 1946—2 p. m.

[Received January 4—6:01 p. m.]

9. Due to nondelivery of National Govt *Gazette* for November 27, Embassy was not aware of regulations transmitted in our 2246 December 30 ("measures for taking over concessions, settlements and Peking Legation quarter")<sup>2</sup> and 2247 of December 30 ("organic regulations of liquidation commissions for official assets and official obligations and liabilities of settlements and concessions and Peking Legation quarter")<sup>2</sup> until informed some time later by British Embassy. There was no publicity in Chinese press.

British Embassy informs us that early in December it telegraphed summary of two regulations to London and was instructed to file a caveat with Chinese Foreign Office. Chargé d'Affaires<sup>3</sup> handed an *aide-mémoire* to Foreign Office,<sup>4</sup> stating that Embassy had noticed regulations in Govt *Gazette* and that, in its opinion, these regulations were not in accord with spirit and terms of Sino-British treaty for relinquishment of extra-territoriality,<sup>5</sup> specifically with articles 3 and 4 thereof; and that British therefore wished to file a caveat, reserving their rights under the treaty. Chargé at same time stated orally that British felt that treaty presupposed consultation and cooperation, and they felt matter should be handled in this manner rather than by unilateral Chinese action. (Sent to Dept, repeated to Shanghai as 3.)

Department will recall that in our 1557 [1957], November 10<sup>6</sup> we reported British views on this general question and requested Dept's

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<sup>1</sup> For previous correspondence, see *Foreign Relations*, 1945, vol. VII, pp. 1380 ff.

<sup>2</sup> Not printed.

<sup>3</sup> Geoffrey Wallinger.

<sup>4</sup> Dated December 21, 1945.

<sup>5</sup> Signed at Chungking, January 11, 1943, League of Nations Treaty Series, vol. CCV, p. 69.

<sup>6</sup> *Foreign Relations*, 1945, vol. VII, p. 1380.



instructions whether we should take action along lines proposed by British, namely, that we inform Chinese Govt that we were ready, in accordance with articles 2 and 3 of our 1943 treaty,<sup>7</sup> to cooperate with Chinese Govt for reaching of any necessary agreements in connection with diplomatic quarter in Peking and International Settlements in Shanghai and Amoy. No reply to that telegram has been received. British Embassy informs us that it has now received reply from Chinese Foreign Office to its note of November 9, on this subject in which Foreign Office states that it has entered into negotiations regarding relinquishment of extra-territorial rights with these countries which have not already relinquished such rights and has set up commissions to attend to rendition of settlements, etc.; and there would therefore appear to be no need for others to do anything in the premises.

British Embassy considers that Chinese Govt has been very "clever" in its handling of this matter; not only have they provided for setting up of liquidation commissions (none has actually been established, so far as known), but in Shanghai the municipal authorities have invited 7 foreigners, 3 Americans, 3 British and 1 French, to serve as advisers to the Municipal Govt; British Embassy states it is considering advisability of instructing these British advisers to inform Municipal Govt that they are acting purely in a private capacity and not as official British representatives. (Comments of Consul General Josselyn<sup>8</sup> on this particular question and also larger issues involved are requested; copies of two sets of regulations mentioned above have been mailed to Shanghai, but in case they have not arrived, copies are available at British Consulate General.)

Articles 2 and 3 of our 1943 treaty read in part as follows. "The Govt of the United States of America will cooperate with the Govt of the Republic of China for the reaching of any necessary agreements with other governments concerned for the transfer to the Govt of the Republic of China of the administration and control of the Diplomatic Quarter at Peking, and International Settlements at Shanghai and Amoy." While this might not be interpreted as mandatory on Chinese Govt to invite cooperation of US and other govts concerned in transfers of areas in question, it would seem to presuppose such cooperation. Department's instructions as to position we should take would be appreciated.

ROBERTSON

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<sup>7</sup> Treaty for the relinquishment of extraterritorial rights in China, signed at Washington, January 11, 1943, Department of State Treaty Series No. 984, or 57 Stat. (pt. 2) 767.

<sup>8</sup> Paul R. Josselyn, Consul General at Shanghai.

893.102/1-646 : Telegram

*The Consul General at Shanghai (Josselyn) to the Secretary of State*

SHANGHAI, January 6, 1946—2 p. m.

[Received 10:42 p. m.]

26. Embassy's 3, January 2, 2 p. m.<sup>9</sup> regarding transfer former International Settlement. I can see little to be gained by contemplated action of British Embassy, i. e., to instruct advisors to inform municipal government that they are acting privately and not as official representatives. Reference my 298, November 30, 4 p. m. to Department, repeated to Chungking, and my dispatch 47, December 19 to Department, copy to Embassy;<sup>10</sup> it is apparent from regulations enclosed with dispatch that advisors are not considered to be official representatives of their respective governments and contemplated British action seems unnecessary.

(Sent to Chungking as Shanghai Serial No. 3, January 6, 2 p. m., repeated to Department as Shanghai Serial No. 26.) On question of assets and liabilities, it is apparent that British concern is largely because numbers [of] British subjects are due pensions, etc., from former Shanghai Municipal Council<sup>11</sup> whereas so far as I can ascertain only about 10 Americans citizens are concerned. British naturally expect American Government support in obtaining recognition of these claims by the Chinese. This in my opinion will be the big stumbling block in implementing the second paragraph of article III of our treaty and I believe our position vis-à-vis these British claims should be considered and clarified by the Department.

JOSSELYN

893.102/1-1846 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, January 18, 1946—8 a. m.

[Received 11:09 p. m.]

127. Yesterday British Embassy here gave us substance note which it is about to address to Chinese Foreign Office (Embtel 9, Jan. 2, to Dept, repeated Shanghai as 3) as follows:

As already stated in our *aide-mémoire* (i. e., caveat) of Dec. 21, the "measures for taking over settlements, et cetera" do not seem

<sup>9</sup> See last sentence, second paragraph of telegram No. 9, *supra*.

<sup>10</sup> Neither printed.

<sup>11</sup> For a background memorandum, November 29, 1945, regarding the former Council, see *Foreign Relations*, 1945, vol. VII, p. 1382.

compatible with provisions of 1943 treaty. Embassy has been directed by British Foreign Secretary<sup>12</sup> to state that British Govt is unable to accept Chinese Govt's interpretations of 1943 treaty relating to transfer of international settlements, et cetera, as revealed in above measures and in communications from Ministry Foreign Affairs. In particular British Govt cannot agree to unilateral assumption by Chinese Govt without further discussion of administrative control including assets and obligations of those special areas as proposed in the measures. It also cannot agree to claim of assessment of obligations by Liquidation Committee. British Govt considers that 1943 treaty does not by itself represent instrument of transfer but merely an agreement to transfer, the manner and details of which were to be agreed upon subsequently by mutual discussion. British Govt considers therefore that discussions between Chinese Govt and British and other interested govts should now be initiated to arrange manner of formal transfer, et cetera. The following 5-point procedure is therefore presented as being in our opinion a satisfactory method of completing transfer primarily of international settlement at Shanghai but equally *mutatis mutandis* of other special areas concerned: (Sent Dept as 127, repeated Shanghai as 39.)

1. A joint committee to be appointed by Chinese Govt and interested foreign govts, foreign members of which should include representatives of former municipal and other administrations. Duty of this committee would be to work out the details of transfer and to agree upon a statement of official assets and official obligations and liabilities of area in question. In event of disagreement in regard to any item or items, matter should be referred to a higher level for final decision.

2. Formal instrument of transfer should be drawn up by mutual agreement.

3. The Chinese Govt could designate a nominee such as the future municipal administration in whose favor it desires formal transfer to be effected.

4. The Foreign Govts concerned, including His Majesty's Govt in the United Kingdom, should join in appointment of one or more representatives to effect transfer on their behalf.

5. The formal instrument of transfer would then be executed by representative or representatives of foreign govts concerned and nominees of Chinese Govt respectively (end substance of note).

Pending receipt of Dept's instructions requested in our previous telegrams, we have taken no action regarding these matters. Dept's instructions as to position we should take would be appreciated.

SMYTH

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<sup>12</sup> Ernest Bevin, British Secretary of State for Foreign Affairs.



893.102/1-1846 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, January 29, 1946—7 p. m.

170. 1. As Chinese Govt has assumed administration and control of International Settlement at Shanghai and as such action does not in our view appear to be incompatible with provisions of Article 3 of Sino-American treaty of 1943, we feel that approach to FonOff along lines of British note is inadvisable (Urtel 127 Jan 18, 8 a. m.) and would serve no useful purpose. We do feel, however, that having taken over Settlement Chinese Govt should make prompt provision for assumption of official obligations and liabilities of Settlement and that US and other treaty powers concerned should be consulted with regard to satisfactory and just settlement of this problem. (Sent to Chungking repeated to Shanghai.<sup>13</sup>)

2. Dept accordingly desires, unless objection is perceived, that Emb address note to FonOff along following lines: Refer to Articles 2 and 3 of Treaty of 1943 on subject of Diplomatic Quarter and International Settlements at Shanghai and Amoy. Say in this connection that Govt of U S has noted "Measures for Taking Over Concessions, Settlements and Peiping Legation Quarter" and "Organic Regulations of Liquidation Commissions for Official Assets and Official Obligations and Liabilities of Settlements and Concessions and Peiping Legation Quarter" promulgated by Chinese Govt. State that while US Govt does not desire at this time to enter into discussion of appropriateness of above-mentioned Measures and Regulations, it wishes to reserve all US rights with respect to reversion of International Settlements and Diplomatic Quarter pursuant to pertinent provisions of Treaty of 1943. Point out that US Govt expects that Chinese Govt will consult with it and Govts of other concerned powers particularly with a view to reaching at early date of a mutually satisfactory and fair agreement in regard to assumption and discharge by Chinese Govt of official obligations and liabilities of Settlements and Diplomatic Quarter.

3. Telegraph date and text of note presented to FonOff.<sup>14</sup>

4. As telegraphed texts Urtels 2246 and 2247<sup>15</sup> received in garbled condition, please air mail texts to Dept.

BYRNES

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<sup>13</sup> As telegram No. 131.

<sup>14</sup> Note dated February 5 was textually quoted to the Department in telegram No. 240, February 7, 10 a. m. (893.102/2-746).

<sup>15</sup> Dated December 30, 1945, neither printed.

893.102/1-1846 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, February 1, 1946—7 p. m.

202. Balfour<sup>16</sup> of Brit Embassy called Jan 29 and left at Dept text of note<sup>17</sup> which he said Brit Ambassador had been authorized to present to Chinese FonOff, substance of which was similar to info incorporated in Urtel 127, Jan 18, 8 a. m.

Balfour was informed Dept could not accept Brit interpretation of 1943 Treaty and he was advised of general lines of our proposed approach to FonOff (Deptel 170, Jan 29, 7 p. m.). He was further informed Dept would request you to inform Brit Emb of our proposed note to FonOff and to discuss with Brit Emb coordination of future activities re this matter. Repeated to Shanghai.<sup>18</sup>

Dept accordingly desires you inform your Brit colleague of action you take and also endeavor in every practicable and appropriate way to work with Brit Emb in achieving end we both desire: that is, equitable agreement for assumption by Chinese Govt of obligations and liabilities which devolve upon it by virtue of pertinent terms of 1943 Treaty.

BYRNES

893.102/3-246 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, March 2, 1946—8 a. m.

[Received 9:57 a. m.]

411. Settlements and Diplomatic Quarter. We have now received Foreign Office reply dated February 22 to our note of February 5 (Embassy's 240, February 7,<sup>19</sup> repeated Shanghai as 79). After acknowledging receipt of our note, Foreign Office continues as follows (sent Dept 411, repeated Shanghai 151, March 2, 8 a. m.).

"I have the honor to state that in the treaty between the United States of America and the Republic of China for the relinquishment of extraterritorial rights in China and the regulation of related matters, signed at Washington on January 11, 1943, there was an article concerning the diplomatic quarter at Peiping and the International Settlements at Shanghai and Amoy which provided that [''] the Govt

<sup>16</sup> John Balfour, British Minister in the United States.

<sup>17</sup> Memorandum handed to the Director of the Office of Far Eastern Affairs (Vincent) contained text; not printed.

<sup>18</sup> As telegram No. 160.

<sup>19</sup> See footnote 14, p. 1354.

of the United States of America shall be willing to assist the Govt of the Republic of China to reach the necessary agreement with other interested govts.' It should be understood that the rendition of the above areas cannot be decided by the Govt of the US alone. The various powers concerned with the Diplomatic Quarter at Peiping and and the International Settlements at Shanghai and Amoy have all agreed to the relinquishment of their extraterritorial rights and to the abolition of concessions and the Diplomatic Quarter. As a matter of fact, the above areas have already been taken over by the Chinese Govt. It will not, of course, be necessary to obtain the concurrence of the govts of the various powers concerned and to conclude agreements with them.

"With regard to the assumption and discharge of the official obligation and liabilities of the diplomatic quarter at Peiping and the international settlements at Shanghai and Amoy, the above-mentioned Sino-American treaty only provides that the Chinese Govt should draw up the necessary measures and there was no such wording as to consult the govts of the various powers concerned. On November 24, 1945 the 'measures for the rendition of settlements and the Peiping Diplomatic Quarter', and the 'organic regulations of liquidation commissions for official assets and official obligations of Settlements and Diplomatic Quarter' were promulgated by the Executive Yuan. They were enacted on the basis of the above provisions. According to the organic regulations of the above-mentioned liquidation commissions, interested foreigners shall be invited, if necessary, to be present at the meeting to be held by members of the various liquidation commissions in an advisory capacity. Such being the case, the interested persons of the US will have the opportunity to express their opinions. For this reason, it is not considered necessary for the Chinese Govt to consult the Govt of the US and the govts of other powers concerned regarding the assumption and discharge by the Chinese Govt of the official obligations and liabilities of the Diplomatic Quarter at Peiping and the International Settlements at Shanghai and Amoy. Nevertheless, the good will shown by the Govt of the US is very much appreciated. I have, therefore, the honor to state that in future if the Govt of the US were not satisfied with the result of liquidation obtained by the various liquidation commissions, it could, of course, bring up the matter for consultations. The Chinese Govt will certainly give the matter its most favorable consideration in the spirit of respecting the rights of the US and fulfilling China's treaty obligations."

Subsequent telegram will contain Embassy's comments.

SMYTH



893.102/3-446 : Telegram

*The Counselor of Embassy in China (Smyth) to the  
Secretary of State*

CHUNGKING, March 4, 1946—3 p. m.

[Received March 8—9: 28 p. m.]

425. Settlements and Diplomatic Quarter. FonOff reply dated Feb 8 to British note (Embtel 127, Jan 18, repeated Shanghai as 39) rejected all British proposals and pointed out in substance that (1) there is no need for supplementary agreements covering transfer of settlements; (2) regulations promulgated by Executive Yuan provide basis for carrying out treaty and at no point conflicts with Sino-British treaty; (3) regulations permit foreigners to attend meetings of commissions, and British nationals have opportunity of expressing their views; and (4) if results of liquidation unsatisfactory, matter may be discussed with Chinese Govt. (Sent Dept 425, repeated Shanghai 159, March 4, 3 p. m.)

FonOff reply dated Feb 22 to our Govt [*note*] (Embtel 240, Feb 7,<sup>20</sup> repeated Shanghai as 79) has been transmitted in our 411, March 2 (repeated Shanghai as 151).

Embassy considers FonOff reply to our note unsatisfactory. Commissions appointed under Chinese regulations do not appear to be taking any active steps toward liquidation of International Settlement. Embassy feels that we should take up matter again with FonOff, and urge that Chinese Govt consult or discuss with US and other govts concerned, particularly with a view to reaching as soon as possible a mutually satisfactory and just settlement of official obligations and liabilities of Diplomatic Quarter and Settlements. We understand that British Embassy has recommended to London that matter be taken up again with Chinese.

For Dept's information, British are now compiling claims arising out of rendition of International Settlement at Shanghai. Pending a settlement, British Govt is advancing to former British employees of International Settlement monies against pensions and superannuation. Limit of forty pounds per month has been advanced to pensioners as from Oct 1, 1941. Limit of 40 pounds per month is being advanced on superannuation funds as from Sept 2, 1945, provided employee does not receive pension and agrees to assign fund to British Govt. If Dept has no objection, we will request our Consulate in Shanghai to obtain statements regarding American claims.

SMYTH

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<sup>20</sup> See footnote 14, p. 1354.

893.102/3-446 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, March 20, 1946—noon.

494. You may take up question of Settlements and Diplomatic Quarter with FonOff along lines suggested in third paragraph Urtel 425 Mar 4, stressing desirability of reaching early settlement. Inform Brit Emb of action taken by you. (Repeated to Shanghai and London.<sup>21</sup>)

Dept authorizes issuance instructions ConGen Shanghai to obtain and forward statements re American claims against Shanghai Municipal Council.

BYRNES

893.102/3-2946 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

CHUNGKING, March 29, 1946—11 a. m.

[Received March 30—1:45 a. m.]

590. During conversation with Dr. Wang Shih-chieh, Foreign Minister, March 26 (confidential), I took up question of Settlements and Diplomatic Quarter along lines directed in Dept's 494, March 20 (repeated to Shanghai). I emphasized desirability of reaching early settlement, and said I felt consultation or discussion by Chinese Govt with other Govts concerned would expedite reaching of mutually satisfactory and just settlement of official obligations and liabilities of Diplomatic Quarter and Settlements at Shanghai and Amoy. Dr. Wang was quite receptive and said he would instruct Vice Minister Liu Chieh and Director Treaty Dept Wang Hua-cheng to look into matter and then discuss it with me. FonMin expressed opinion that consultation or discussion with all Govts concerned might be cumbersome and unnecessary, in view of minor interests of some Govts. British Embassy informed of action taken. (Sent Dept 590; repeated Shanghai 226, March 29, 11 a. m.)

British Ambassador<sup>22</sup> called on FonMin few days ago and received impression FonMin somewhat more receptive on question of assets and liabilities. British Embassy on its part seems much less inclined to insist on question of transfer of control, and to be chiefly interested now in a satisfactory settlement of assets and liabilities.

<sup>21</sup> Repeated on the same date to the Consul General at Shanghai as telegram No. 421 and to the Ambassador in the United Kingdom as No. 2450.

<sup>22</sup> Sir Horace James Seymour.

Consul General Shanghai is requested, in accordance with last paragraph Dept's 494, March 20, to obtain and forward statements re American claims against Shanghai Municipal Council.

Dept will be informed of further developments.

SMYTH

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S93.102/4-346 : Telegram

*The Counselor of Embassy in China (Smyth) to the  
Secretary of State*

CHUNGKING, April 3, 1946—6 p. m.

[Received April 3—3:33 p. m.]

619. Settlements and Diplomatic Quarter. Dr. Wang Hua-cheng, Director Treaty Dept FonOff, discussed question assets and liabilities with me yesterday (see Embassy's 590, Mar 29, repeated Shanghai 226). He said that, while desiring to retain, as matter of "face", organic regulations already promulgated, FonOff wishes to facilitate settlement of assets and liabilities and is accordingly making certain suggestions (confidential) for approval of Executive Yuan in summary as follows:

1. Further veto formal transfer of administration and control of settlements and concessions shall be dropped. (Dr. Wang commented that we had not raised this question, but British had, although they were now more or less dropping matter.)

2. Provisions for organization of liquidation commissions as promulgated shall remain unchanged.

3. Each liquidation commission to be instructed to invite foreign advisers to sit on commission and to assist commission in determining official assets and official obligations and liabilities of area concerned. (Sent Dept 619, April 3, 6 p. m.; repeated Shanghai 244.)

4. Foreign advisers shall be designated by Embassy or Embassies concerned. In case of International Settlements at Shanghai and Amoy, foreign advisers shall be limited to nationals of those countries represented on official council of area prior to enemy taking over.

5. In event of disagreement between commission on one hand and advisers on other as to any item, matter shall be referred to a higher level for final settlement.

6. Upon final determination of official assets and official obligations and liabilities to satisfaction of all concerned, possession [*results?*] shall be confirmed by, and details of transfer of such assets, obligations and liabilities shall be specified in, an exchange of notes between Ministry Foreign Affairs and Embassy or Embassies concerned.

Dr. Wang said he would inform us when action on suggestions is taken by Executive Yuan.

These suggestions represent a marked change for better in attitude of Chinese authorities and in our opinion would provide means for



reaching a mutually satisfactory and just settlement of assets and liabilities. We recommend that we be authorized to agree to proposed procedure whereupon we will press for early setting up of liquidation commissions.

British Embassy, which has been similarly informed by Foreign Office, feels that suggestions represent the most that can be expected from Chinese and is recommending to London agreement to contemplated procedure.

Under suggestion 4, we would have an American adviser on Shanghai International Settlement Liquidation Commission. We are unable to ascertain from records available here whether there was an American representative on Amoy Municipal Council and would appreciate being informed from Dept's records.

SMYTH

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893.102/4-1746 : Telegram

*The Counselor of Embassy in China (Smyth) to the  
Secretary of State*

CHUNGKING, April 17, 1946—10 a. m.

[Received 4 p. m.]

693. Settlements and Diplomatic Quarter. British Embassy here has been authorized by London to agree to suggestions mentioned in our 619, April 3 to Dept (repeated Shanghai 244) and has so informed Chinese Foreign Office. (Sent Dept 693, repeated Shanghai 296, April 17, 10 a. m.)

Dr. Wang Hua-cheng of Foreign Office informed me yesterday that suggestions were sent to Executive Yuan few days ago and approval was expected shortly whereupon Foreign Office will request Embassy to designate American advisers on Liquidation Commissions.

Authorization and information requested in our 619, April 3, would be appreciated.

SMYTH

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893.102/4-2046 : Telegram

*The Counselor of Embassy in China (Smyth) to the  
Secretary of State*

CHUNGKING, April 20, 1946—11 a. m.

[Received April 20—7:23 a. m.]

711. Settlements and Diplomatic Quarter. Dr. Wang Hua-cheng has informed me orally (see Embtel 693, April 17 to Dept, repeated

Shanghai 296) that Executive Yuan has approved suggestions mentioned in Embassy's 619, April 3 to Dept (repeated Shanghai 244) and states written confirmation will follow. He requests Embassy designate American advisers to serve on Liquidation Commission for Diplomatic Quarter and International Settlements Shanghai and Amoy; he states advisers need not be American officials.

If Department authorizes agreement to suggestions, Embassy recommends senior foreign service officer Peiping be designated adviser on Diplomatic Quarter Liquidation Commission.<sup>23</sup> Consul General Shanghai is requested to make recommendations as to American adviser on Shanghai International Settlement Liquidation Commission (Embassy suggests advisability of designating American civilian who formerly served on Shanghai Municipal Council). Embassy will await information requested in our 619, April 3 to Dept before making recommendation regarding Amoy International Settlement.

Dept's early instructions requested in order expedite matter.

Sent Dept 711, April 20, 11 a. m., repeated Shanghai 309.

SMYTH

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893.102/4-1746: Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, April 22, 1946—3 p. m.

689. Emb authorized to agree proposed procedure (Embtel 619) Apr 3 and 693 Apr 17) and to press for early establishment Liquidation Commissions.<sup>24</sup> Dept assumes reference to "higher level" in item 5 Emtel 619 does not contemplate settlement by Executive Yuan alone under Art 8 of Organic Regulations (Emtel 2247 Dec 30<sup>25</sup>) but would include American Govt participation.

Dept not clear meaning phrase "prior to enemy taking over" in item 4 Emtel 619. Kulangsu International Settlement Municipal Council consisted January 1941 of 1 American, 1 British, 1 Netherland, 2 Japanese nationals (total 5).

BYRNES

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<sup>23</sup> The Department gave its approval in telegram No. 12, April 24, 2 p. m.

<sup>24</sup> The three Americans subsequently designated as advisers of the liquidation commissions at Peiping, Shanghai, and Amoy were Consul General Myrl S. Myers, Dr. George Sellett, and Edwin W. Koeppe.

<sup>25</sup> Not printed.

893.102/4-3046 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

NANKING, April 30, 1946—4 p. m.

[Received April 30—1:48 p. m.]

736. Settlements and Diplomatic Quarter. According to Foreign Office, reference to "higher level for final settlement" in item 5 (Department's 689, April 22) would mean reference to Foreign Office and Embassy concerned. The phrase "prior to enemy taking over" in item 4 is interpreted by Foreign Office as immediately prior to taking over or at time of taking over, and not in sense of at any time prior thereto.

Sent Department 736, repeated Shanghai 324.

SMYTH

893.102 Peiping/9-446

*The Ambassador in China (Stuart) to the Secretary of State*

No. 90

NANKING, September 4, 1946.

[Received September 21.]

SIR: I have the honor to report that there are persistent rumors that the Chinese authorities are seeking to take over the properties in Peiping formerly used by diplomatic missions of foreign governments. The press has mentioned moves in that direction by the local authorities. The Embassy's despatch no. 63 of August 26, 1946 enclosed a report from the American Consul at Peiping<sup>26</sup> which described the occupation of the former Spanish Embassy in Peiping by the municipal authorities and quoted a statement by the Peiping representative of the Foreign Office to the effect that the Chinese Government intends to take over all foreign government property in the Diplomatic Quarter.

There exists, of course, the possibility that the local authorities in Peiping have misinterpreted instructions from Nanking in regard to the liquidation of the assets and obligations of the Quarter envisaged by recent treaties. Indeed it seems difficult to believe that the Chinese Government would attempt to deny the right of the United States Government to use for official purposes land allocated to the United States in the Diplomatic Quarter, in contravention of the clear provisions of the Sino-American treaty of 1943.

Nevertheless it seems evident that the Chinese, in their eagerness to liquidate all traces of the former capitulations, seek to regain control

<sup>26</sup> Neither printed.



of not only the Quarter but even parts of the land allocated to foreign governments for official purposes. We are advised by our British colleagues that in regard to the former British Embassy property in Peiping, the Foreign Office has made formal request for information in regard to the intended use of the land on which British barracks have been built, thereby clearly implying that the Chinese Government is endeavoring to establish its right to determine whether the pertinent treaty provision may be deemed applicable to all or only part of the property. If such right were established, it would obviously fall within the power of the Chinese Government to take over any if not all of the former Embassy properties. Copies of the Foreign Office's note to the British Embassy and the latter's note in reply are enclosed.<sup>27</sup>

A further indication of Chinese intent is the reluctance of the Chinese to permit the establishment of consular offices in Peiping. In the absence of functioning official establishments in Peiping, the provisions of the Treaties might be interpreted as inapplicable to the former Embassy properties. The British have, after long delay and considerable argument, finally received "temporary permission" to establish a consulate in Peiping. Except the American and British consulates, there are no recognized diplomatic or consular agencies in Peiping at present.

In view of the various reports emanating from Peiping in regard to this matter, the Embassy has addressed an inquiry to the Foreign Office in regard to this matter. A copy is enclosed. The Embassy will continue to watch this matter closely, and will report developments as they occur.

Respectfully yours,

For the Ambassador:  
W. WALTON BUTTERWORTH  
*Minister-Counselor of Embassy*

[Enclosure]

*The American Minister-Counselor of Embassy (Butterworth) to the  
Chinese Vice Minister for Foreign Affairs (Liu)*

NANKING, August 31, 1946.

MY DEAR DR. LIU: You may have noted in the recent press a story from Peiping quoting a local newspaper, the *Hsin Min Pao*, to the effect that the Chinese Government intended to restore its ownership of the land in the former Diplomatic Quarter in that city. This story coincides with a report from the American Consul in Peiping that the

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<sup>27</sup> Neither printed.

municipal authorities have occupied the premises of the former Spanish Legation and informed the official in charge that this seizure was the first step in taking over all foreign government properties in the former Diplomatic Quarter. The Consul reports that in conversation with the Foreign Office representative in Peiping, Mr. Chang Shu-shien, the latter declared that it was the Government's intention to take over all foreign government property in the Quarter.

In view of the clear provisions of Article II of the Sino-American Treaty of 1943 confirming the right of the United States Government to use for official purposes land allocated to the United States in the Diplomatic Quarter, I can only assume that the local authorities in Peiping have misinterpreted their instructions in regard to the liquidation of the assets and obligations of the corporate Quarter. Nevertheless, in order to obviate the possibility of misunderstanding, it would be greatly appreciated if, after investigating the matter, you would assure me that the statements attributed to the local authorities in Peiping are in error and that there is no disposition in responsible quarters of the Chinese Government to take over or occupy the property allocated to the United States Government in the Diplomatic Quarter in Peiping.<sup>28</sup>

Faithfully yours,

W. WALTON BUTTERWORTH

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893.102/11-3046 : Telegram

*The Consul General at Shanghai (Davis) to the Secretary of State*

SHANGHAI, November 30, 1946—noon.

[Received December 5—10 p. m.]

2354. The first meeting of the Liquidation Commission for the official assets and liabilities of the former international settlement and French concession was held at 3 o'clock on the afternoon of November 29 in the Municipal Building. Aside from the Chinese members of the Commission there were present advisers from the US, France, Great Britain, the Netherlands, and Switzerland.

Consul Jeffreys<sup>29</sup> attended as alternate for the British adviser and Consul Meyer<sup>30</sup> as representative of this Consul General pending the appointment of an alternate for the American adviser. It was decided that although the official language of the Commission would have to be Chinese, discussions in the meetings of the Commission would be conducted in English or any other language which

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<sup>28</sup> No report of any reply to this inquiry has been found in Department files.

<sup>29</sup> Ernest W. Jeffery.

<sup>30</sup> Paul W. Meyer.

the advisers cared to use. It was also decided that the work of the Commission would be separated into that pertaining to the international settlement and that pertaining to the French concession. Two sub-committees were formed to conduct the work pertaining to the international settlement; one to concern itself with the claims of the former employees of the Municipal Council, the other for all other matters pertaining to the international settlement. With reference to the French concession, it was decided that one sub-committee would handle all matter pertaining to that concession. Dr. Sellett, the American Adviser, is a member of both sub-committees which will deal with international settlement matters but is free to relinquish one or the other to an American alternate when one is appointed. The chairmanship of all sub-committees is to be Chinese. Minutes of sub-committees are to be circulated to all interested parties for their information. The Commission will be reconvened whenever the work of the sub-committees warrants.

The meeting of the Liquidation Commission was conducted in a friendly spirit. It was apparent that all parties represented were eager to get the work of the Commission started and everyone cooperated to that end. The discussion of details was avoided, the discussions being kept on the level of principles to guide the Commission's work. The Embassy and the Department will be kept currently informed of developments.

Sent to Nanking as 1335, November 30, noon, repeated to Dept.

DAVIS



## REPRESENTATIONS REGARDING CHINESE MILITARY OCCUPATION OF AMERICAN MISSION PROPERTIES

393.1163/1-2346

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

No. 1066

CHUNGKING, January 23, 1946.

[Received February 18.]

Subject: Occupation of American Mission Property by Chinese  
Troops.

SIR: I have the honor to inform the Department that following the end of the war in China the Embassy received an increasing number of complaints from American mission organizations that their property had been occupied by Chinese troops who refused to return the property to its owners. There is enclosed a list of notes written by the Embassy to the Ministry of Foreign Affairs requesting, on behalf of American mission organizations, that Chinese troops be ordered to evacuate occupied property. Although the Ministry was very cooperative in complying with the Embassy's requests, the number of complaints continued to increase. Therefore, on December 27, 1945, the Embassy wrote to the Ministry (Note No. 85, a copy of which is enclosed) requesting that additional and more comprehensive action be taken to prevent the occupation of American mission property by Chinese troops, since once a property had been occupied, the American owner inevitably encountered considerable delay and sometimes property damage before the troops surrendered the premises. It was suggested that general instructions to Chinese Army commanders and the issuance of proclamations identifying American property would be helpful. The Ministry replied in its note of January 15 (copy enclosed) stating that the appropriate authorities have circulated instructions to the troops concerned to vacate mission properties occupied by them but that they are unable to comply with the Embassy's suggestion that proclamations be issued in the absence of information on the numbers and locations of mission properties in China.

Since it would obviously be a formidable task to list all American mission property in China, the Embassy has suggested to the Consulate General in Shanghai the following alternative procedure. The Consulate General has been asked to inform mission organizations, most of which have their headquarters in Shanghai, that if they desire proclamations to be posted on their property in order to protect it from occupation by Chinese troops, they should supply the Consulate General with the name and address, in English and Chinese, of the property in question. The Consulate General will then forward the request to the Embassy which will transmit it to the Ministry of Foreign Affairs and ask that the appropriate local authorities be instructed to issue the proclamations. Although this is a somewhat cumbersome procedure, it is believed that it offers a satisfactory solution to the problem.

In most cases the Embassy has not been informed by the missions of the results of its representations, but it is believed that they have generally been effective since in only one or two instances has a mission appealed to the Embassy a second time. The Consulate General in Shanghai informed the Embassy on January 10 that the University of Shanghai premises had been evacuated.

Another problem arising from the occupation of mission property by Chinese Troops is the removal or destruction of furniture and equipment by these troops. In one case reported in detail to the Embassy, the Bethesda Hospital at Siangyang, Hupeh, claims to have lost property valued at approximately \$2,000 United States currency. This loss occurred in May and June of this year during the occupation of the hospital by the Chinese Army. The Embassy would appreciate being informed whether this claim and similar claims submitted by American missionary organizations, should be presented to the Chinese Government. Some property damage committed by Chinese troops occurred during the war period but much of it apparently has taken place since the end of the war, during the re-occupation of liberated territories.

Respectfully yours,

For the Chargé d'Affaires ad interim

ROBERT L. SMYTH

## [Enclosure 1]

*Notes to Foreign Office Requesting Evacuation of Chinese Troops From American Mission Property October, 1945-January, 1946*

<i>Note</i>	<i>Name of Institution</i>	<i>Location of Occupied Property</i>
1. Unnumbered Oct. 8, 1945	Bethesda Hospital	Siangyang, Hupeh
2. No. 21, October 30, 1945	Christian and Missionary Alliance	Changteh, Hupeh
3. No. 25, November 2, 1945	Evangelical Lutheran Church	Ichang, Hupeh
4. No. 63, December 17, 1945	Reformed Church Mission	Yuanling, Hunan
5. No. 64, December 17, 1945	American Church Mission	Ichang, Hupeh
6. No. 81, December 27, 1945	American Baptist Board of Missions, (University of Shanghai) Shanghai China Bible Seminary	Shanghai
7. No. 82, December 27, 1945	West China Conference of the Methodist Church	Nanchang, Kiangsi
8. No. 15, January 5, 1945 [1946]	Reformed Church Mission, Margaret Williamson Hospital, National Christian Council, American Church Mission, Foreign Mission Board of Southern Baptist Convention (Numerous properties in various parts of China. See lists enclosed in Shanghai's despatch No. 8, dated Dec. 28, 1945. <sup>1</sup> )	Yoyang, Hunan Shanghai

## [Enclosure 2]

*The American Chargé (Robertson) to the Chinese Minister for Foreign Affairs (Wang)*

No. 85

CHUNGKING, December 27, 1945.

EXCELLENCY: I have the honor to inform Your Excellency that since the end of hostilities with Japan the Embassy has received an increasing number of reports from American missionary organizations that their property in the recently liberated parts of China has been occupied by Chinese troops. Bishop Ralph A. Ward of the Methodist Mission recently made a month's trip in the Yangtze Valley inspecting mission stations at Kiukiang, Anking, Wuhu, Nanking, Chinkiang,

<sup>1</sup> Not printed.



and other places and found many mission buildings occupied by Chinese troops. Mr. W. P. Mills, Secretary of the National Christian Council of China writes that much of the Protestant mission property in the liberated areas is now occupied by Chinese Government troops or by Government agencies of one sort of [*or*] another. This situation has made the recovery by American mission organizations of their property in China extremely difficult, and in many cases they have had to appeal to the Embassy for help. The Ministry of Foreign Affairs is already aware of numerous specific cases of this type which have been brought to its attention in the following third person notes from this Embassy :

Unnumbered	October 8, 1945
21	October 30, 1945
25	November 2, 1945
63	December 17, 1945
64	December 17, 1945
81	December 27, 1945
82	December 27, 1945

The Ministry of Foreign Affairs has always been extremely cooperative in taking the necessary action to bring about the evacuation of Chinese troops from American mission properties. However, in view of the increasing frequency of these incidents it is felt that additional and more comprehensive action by the Chinese Government is necessary to prevent them from recurring. To take action only after a property has been occupied results in great inconvenience to the mission representatives who suffer long delays in repossessing and rehabilitating their property in order to carry on their work in China.

Although the specific measures to be taken can only be properly determined by the Chinese Government, it is suggested that general instructions to Army commanders ordering them to evacuate any American property which they may now occupy and to refrain from occupying such property in the future would be helpful. The Chinese Government may also wish to issue proclamations which may be distributed to bona fide American mission organizations for posting on their property in order to assist Chinese troops in identifying it.

Please accept [etc.]

WALTER S. ROBERTSON

[Enclosure 3]

*The Chinese Ministry for Foreign Affairs to the American Embassy*

[CHUNGKING,] January 15, 1946.

The Ministry of Foreign Affairs presents its compliments to the American Embassy and has the honor to refer to the Embassy's formal note no. 85 of December 27, 1945, stating that many American mission properties in recently liberated areas of China have been occupied by

Chinese troops. The Embassy requested that extensive measures be taken by the Chinese Government and that proclamations be issued for posting at these mission properties in order to make them easily recognizable to Chinese troops. The Ministry referred the request to the appropriate authorities for consideration and action, and addressed third person notes nos. Mei/35/382 and 384 on January 11, 1946 to the Embassy <sup>2</sup> for its information.

A reply has now been received from the appropriate authorities stating that they have circulated an instruction to the troops concerned to vacate the American mission properties occupied by them, but that they are unable to issue proclamations in the absence of information regarding the numbers of American churches at various places in China. The reply suggested that the Embassy be requested to ascertain the numbers and addresses of such churches in order that action may be taken in the matter.

The Ministry has the honor to request that the Embassy investigate and inform it of the numbers and addresses of American mission properties in China, so that the appropriate authorities may be requested to consider and act in the matter.

SEAL OF THE MINISTRY OF FOREIGN AFFAIRS  
OF THE REPUBLIC OF CHINA

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393.1163/1-2346

*The Secretary of State to the Embassy in China*

No. 489

WASHINGTON, March 15, 1946.

The Secretary of State refers to the Embassy's despatch no. 1066, January 23, 1946 on the subject "Occupation of American Mission Property by Chinese Troops", in which the Embassy asked whether the claim of the Bethesda Hospital at Siangyang, Hupeh, for loss sustained as a result of occupation by the Chinese Army, and other similar claims by American missions, should be presented to the Chinese Government.

There is transmitted herewith a copy of a memorandum of the Department of December 20, 1945 entitled, "Suggestions for Preparing Claims for Loss of or Damage to Property—Real or Personal."<sup>3</sup> Upon being supplied with satisfactory evidence prepared in essential compliance with the suggestions contained in that memorandum, the Embassy may informally take up such claims with the appropriate Chinese authorities. The Embassy is instructed to report to the Department in due course whether the Chinese authorities show disposition to effect settlement of claims that may be lodged with them.

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<sup>2</sup> Neither printed.

<sup>3</sup> Not printed.

393.1163/10-146

*The Consul General at Shanghai (Davis) to the Secretary of State*

No. 330

SHANGHAI, October 1, 1946.

[Received October 16.]

SIR: I have the honor to refer to my despatch no. 23, of February 9, 1946 to the Embassy <sup>4</sup> concerning the occupation of American mission property and to report that a certain degree of success is at last being achieved in gaining the evacuation of Chinese troops and government organizations from mission properties in this consular district. There is enclosed for the Department's information a list <sup>4</sup> of the mission organizations which have reported cases of occupation of their properties by troops or government organizations with an indication of the present status of these cases.

It is believed that the Department should be informed of the delaying tactics and procrastination which have characterized the actions of the Chinese authorities in almost every instance in which this office has endeavored to assist mission organizations in the recovery of their property.

The initial report of difficulty in repossessing mission property in China was made by Bishop Ralph Ward of the Methodist Mission after a month's inspection tour through the Yangtze Valley in the autumn of 1945. Bishop Ward inspected mission properties at Kiukiang, Anking, Wuhu, Nanking, Chinkiang, and other places and stated that the damage and looting by Chinese Government troops since the Japanese surrender was greater than that by the Japanese. This was reported by telegram no. 274 to the Department on November 27, 1945.<sup>5</sup> The Department authorized the Consulate General at Shanghai to request the appropriate Chinese authorities to effect the removal of the occupying troops or organizations and to afford protection to the properties. Accordingly several lists of occupied mission properties in the Yangtze Valley were obtained from the National Christian Council and forwarded to the Embassy at Chungking (despatch no. 8, December 28, 1945 <sup>4</sup>) in order that precise data would be available to support a request for protection to the Ministry of Foreign Affairs.

In the meantime it was reported in the *Ta Kung Pao*, Shanghai, December 26, 1945, that the Executive Yuan had taken steps to deal with the problem. A translation of this report follows:

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<sup>4</sup> Not printed.

<sup>5</sup> *Foreign Relations*, 1945, vol. VII, p. 1408.



## NEWS ITEM

Translation of a news item appearing in the *Ta Kung Pao*, Shanghai, December 26, 1945.

## PROTECTION FOR MISSIONARY CHURCHES AT VARIOUS PLACES

- Military units ordered to move out within a time limit—
- Order issued by the Executive Yuan to leading military and administrative officials throughout the country yesterday—

Central News Agency telegram—

“Chungking, December 25th:—It is learned that the Executive Yuan on December 25th telegraphed to the commanding officers of various war zone commands and the chairmen of various provincial governments, ordering them to require those military units which are occupying missionary churches at various places in the recovered areas to move out within one month, in order to respect religion and special privileges of missionary societies.”

The lists of occupied properties were transmitted by the Embassy to the Ministry of Foreign Affairs on January 5, 1946, with the request that prompt steps be taken to evacuate the properties. The Ministry reported on January 15, 1946, that the appropriate authorities had circulated an instruction to the troops concerned to vacate the various properties.

The question of issuing proclamations for posting on mission property was also raised and the Ministry requested that complete lists of all American mission property in China be submitted in order that this action might be taken. This would have been too large a task for the mission organizations at the time, but this Consulate General was able to obtain a number of posters from the Headquarters of General Ho Ying-chin at Nanking. These were issued to several mission organizations in the Shanghai area and were reported to be effective.

On February 3, 1946, Major Bacon H. N. Pan, Secretary of the Foreign Affairs Department of General Ho Ying-chin's Headquarters called at the Consulate General at Shanghai and was given tentative lists of American mission property in the consular district. General Ho was requested to take immediate action to have the premises vacated and returned to their rightful owners.

On February 4, 1946, the Embassy informed the Consulate General that the Ministry of Foreign Affairs had referred the matter to the appropriate authorities and that the Chinese Army Headquarters had been approached by telegram to order the immediate evacuation of the occupied property in accordance with the instruction issued by the National Military Council of January 11, 1946.

On March 26, 1946, Major General Pao Ching-an, Chief of the Foreign Affairs Department of Chinese Army General Headquarters

called at the Consulate General and received a list of American mission property in the Shanghai Consular District. He stated that all American property in Nanking had been returned to the persons concerned. He also stated that in connection with the other property he would have orders issued to the commanding generals to vacate the property.

General Ho Ying-chin addressed letters to the Consulate General on March 11, 1946 and on April 26 [25], 1946<sup>e</sup> transmitting replies from the Provincial Governments of Kiangsi and Kiangsu and the Municipal Government of Shanghai to the effect that the troops and organizations would be removed from the mission properties in those areas.

In general it would appear that the National Government of China and the high military leaders were making every effort to have the American mission properties evacuated and returned to their owners promptly. An examination of specific cases, however, shows that in nearly every case procrastination and delay on the part of individual military units or government organizations have been the principal factors. A part of the delay may be traced to the lack of initiative and decisive action on the part of the mission authorities in pressing directly for action with the units concerned. This is a minor factor, however, compared to the apparent lack of good faith on the part of the Chinese Army commanders who have ignored clearly established property rights and, also, it would seem, the direct orders of their superiors.

A typical example of the long drawn out negotiations which were necessary in almost every instance, in spite of the definite orders from the Central Government and Army Headquarters to respect mission property rights is the case of the St. Mary's School premises of the American Church Mission at 63 Brennan Road, Shanghai. There follows a summary of the correspondence necessary to achieve the evacuation of this property.

[Here follows detailed summary.]

Obviously orders from above had little effect in this particular case. Personal representations to the commanders of the units concerned apparently give greater promise of success. This Consulate General is consequently attempting to use this approach as much as possible in dealing with the remaining cases of occupied mission property.

The Department and the Embassy will be kept informed of further developments in the cases of unrecovered properties and of new cases as they arise.

Respectfully yours,

MONNETT B. DAVIS

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<sup>e</sup> Neither printed.

INTEREST OF THE UNITED STATES IN FAIR COMPETITIVE OPPORTUNITY FOR AMERICAN OIL COMPANIES IN CHINA IN VIEW OF ESTABLISHMENT OF CHINESE GOVERNMENT-OWNED OIL COMPANY

893.6363/1-446 : Telegram

*The Secretary of State to the Embassy in China*

WASHINGTON, January 4, 1946—5 p. m.

19. In conference held with Army, Navy, and oil company officials it is apparent that plan of the US Armed Forces to turn over entire military and civilian supply function to oil companies in China is contingent on ability of companies to assure themselves of adequate bulk storage; first in Shanghai area and later in Tientsin and Tsingtao areas. This can be done only if Chinese Govt is agreeable to use by companies of Japanese tankage in Shanghai area now held by US Armed Forces and which latter would relinquish if oil companies assume full responsibility for all petroleum supplies. A similar arrangement would be necessary with respect to Tientsin and Tsingtao tankage now held by Chinese forces. If oil companies are to assume entire supply function they will need this tankage until they can construct their own or until they can come to some permanent arrangement with Chinese Govt for use of Japanese tankage.

Oil Companies have been advised to treat this matter directly with Chinese Govt. Emb is requested to be of such assistance as oil companies and Emb deem advisable.

BYRNES

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893.6363/7-1046

*Memorandum of Conversation, by the Assistant Secretary of State (Clayton)*

[WASHINGTON,] July 10, 1946.

Participants: Mr. Parker, Shultz and Seitz of Standard Vacuum Oil Company

Mr. Clayton, Vincent,<sup>1</sup> C. Rayner,<sup>2</sup> Loftus,<sup>3</sup> Gay,<sup>4</sup> Pigott,<sup>5</sup> McGhee<sup>6</sup>—State Dept

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<sup>1</sup> John Carter Vincent, Director of the Office of Far Eastern Affairs.

<sup>2</sup> Charles B. Rayner, of the Petroleum Division.

<sup>3</sup> John A. Loftus, Chief of the Petroleum Division.

<sup>4</sup> Merrill C. Gay, of the Division of Commercial Policy.

<sup>5</sup> C. Montagu Pigott, of the Petroleum Division.

<sup>6</sup> George C. McGhee, Special Assistant to Mr. Clayton.



*Problem:*

Representatives of the Standard Vacuum Oil Company called to obtain views of the Department as to future of U. S. oil companies in China, as a result of the establishment of the wholly Chinese government-owned China Petroleum Corporation.

*Discussion:*

MR. CLAYTON stated that he had studied the file submitted by Standard Vacuum Oil Company, and that he had great sympathy for the position in which the U. S. oil companies find themselves in China. Mr. Clayton observed that a similar pattern of events is occurring in Poland, Czechoslovakia and other countries which have nationalized or are in the process of nationalizing their industry. In the case of these nations, American properties have been included in the Nationalization Program, and in each case the government concerned has been pressed to provide timely and adequate compensation to the owner. In the case of China the situation seems slightly different, in that the Chinese propose to nationalize the oil business in China without offering to take over the properties of the existing companies, leaving them "high and dry". Mr. Clayton inquired whether the Standard Vacuum Oil Company attached more significance to the creation of a government-owned petroleum company, or to the granting of government administrative functions affecting petroleum to this company.

MR. PARKER replied that these questions were really different aspects of the same problem, and that if China is nationalizing her oil industry free competition is definitely out. Mr. Parker stated that private U. S. enterprise could under no circumstances compete with a Chinese government petroleum company. Mr. Parker speculated as to whether U. S. assistance to China had not made possible her nationalization program.

MR. CLAYTON replied that the basic policy of this country with respect to China was to help her "get back on her feet". He stated that China was forced into war before any other Allied power and had made great sacrifices. Mr. Parker observed that in order to be strong China must have petroleum, and that in his opinion the Chinese did not have the ability to run their own petroleum industry.

MR. VINCENT stated that the Department had repeatedly urged the Chinese government against the establishment of monopolies, whether by the Chinese government or by business interests. Mr. Vincent added that the Department felt that the Chinese government should retain its own administrative functions and should not grant them to a government corporation. The Department acknowledges that the Chinese government has a right to establish a petroleum company if

it chooses, but in the absence of total nationalization of petroleum industry, there should be no discrimination as between the government company and private companies.

MR. CLAYTON and Mr. Vincent described the movement toward nationalization of industry which is taking place all over the world. The U. S. is one of the few countries not affected. It was pointed out that there was little this country could do in checking this movement. Mr. Vincent stated that nationalization in China was not inspired by a few individuals; but was deeply rooted in the political life of the Chinese people. Mr. Vincent offered as an explanation for the fact that the Chinese were acting quickly with respect to oil, that they considered that there was great profit in the oil business.

MR. PARKER suggested that the result of Chinese nationalization of industry would be to cut off the flow of U. S. private capital to China, and offered the opinion that this would be more disadvantageous to China than any advantages arising out of nationalization.

MR. CLAYTON stated that Standard Vacuum Oil Co. representatives must realize the realities of the situation in China and asked them what minimum assurances they needed from the Chinese government before they could feel justified in continuing in business in China and proceeding with the rehabilitation of their marketing and transportation facilities.

MR. PARKER outlined the minimum requirements of U. S. oil companies to be as follows:

(a) The group of U. S. oil companies operating in China wish to create a joint Chinese-U. S. company for the development of Chinese indigenous oil resources, providing the U. S. companies are given 51% ownership in this enterprise. The companies are willing to invest up to 80 million dollars in this joint company for exploration, production, transportation and refining of indigenous oil. The companies are even willing to include in this operation the Takao refinery in Formosa which the Chinese have taken over from the Japanese, even tho they do not consider the operation of this refinery economic.

(b) The companies expect the Chinese government to agree not to enter the petroleum marketing field with a government-owned company.

If these two conditions are met, Standard Vacuum will spend an estimated 30 to 50 million dollars in rehabilitating its pre-war distribution facilities. Other companies will spend similar amounts, the total of which, including that spent by Standard Vacuum, will be approximately 100 million dollars.

At this point Mr. Parker agreed that if it were necessary to fight for—

(a) participation in Sino-foreign production refining company  
or

(b) preservation distribution position U. S. companies they would choose (b) but felt they also had right to (a).

MR. PARKER assured Mr. Clayton that the U. S. companies would have no objection to private Chinese companies operating in the Chinese marketing field.

*Action:*

MR. CLAYTON stated that on the basis of these minimum requirements, it might be possible to obtain some assurance from the Chinese government that would be satisfactory to the U. S. oil companies. He stated that the Department would give further consideration to the matter and take whatever steps it could.

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893.6363/7-1446 : Telegram

*The Counselor of Embassy in China (Smyth) to the Secretary of State*

NANKING, July 14, 1946—9 a. m.

[Received July 15—6:20 a. m.]

1137. Representatives Stanvac, Caltex and Shell China July 13 concluded meetings with Wong Wen-hao, Vice President Executive Yuan and President and Chairman of Board of Chinese Petroleum Corporation (CPC). Having come to China upon invitation, above representatives were prepared to carry forward Chungking negotiations for establishment of a Sino-foreign enterprise for joint development of Kansu field. While participation in Kansu exploration, production and refining is understood to have appeared of dubious promise to foreign companies from business standpoint, it apparently was their belief that such participation could serve to protect their marketing business in more lucrative seaboard areas, especially if Chinese Government's active role in petroleum affairs were limited to this joint company.

In first meeting June 12 and preliminary to Kansu discussions, Stanvac representative inquired concerning proposed activities and functions of recently formed CPC. Wong stated this corporation (established May 18) is a limited company, first to be formed under new company law. National Resources Commission is its managing shareholder, the other two initial shareholders being the North Hopei Power Company and the National Resources Commission Insurance Company, latter being depositary of Bank of China trust funds. Legally seven more shareholders are possible, and these could be foreign, but Wong declares policy of CPC and political considerations are against foreign participation. Some private Chinese participation may eventually be permitted.



Besides undertaking exploration, production, refining, distribution and marketing of petroleum products, the CPC is under government directive beginning July 1 to perform control functions which heretofore have been responsibilities of National Commission for Control of Liquid Fuels (NCCLF) and also to take over from customs the processing of import licenses with respect to any importation under restriction such as kerosene. Former enemy installation properties including tankage which have been held in the name of Kansu Oil Mining Administration Transportation and Storage Company will also be transferred to CPC. More detailed report<sup>7</sup> regarding organization and functions CPC will be forwarded air mail (ReEmtel 1107, July 8<sup>8</sup>).

Among major specific projects which CPC will control and administer, Wong stated, would be rehabilitation of oil refinery plants on Formosa. By middle 1948 it is estimated that Takao refinery and other minor plants there will be processing 14,000 barrels per day. It is planned that entire consumption requirements of Formosa will be filled from products this refinery and that surplus products will be shipped to mainland and sold by CPC through its marketing organization.

In meeting June 12 and subsequently JDR [*oil*] company representatives have emphasized their concern that Chinese Government proposes to engage in the refining and marketing of petroleum products, and at the dual role of CPC as business competitor and as government regulatory body. They have maintained that establishment of CPC makes Sino-foreign project with respect to Kansu far less attractive since it becomes evident that their capital and services are wanted only in remote areas where risks are heavy, and have taken position that they cannot submit a proposition in Kansu unless Chinese Government agrees to their participation in Formosa project. Shell Company China and Caltex representatives have stated their definite decisions on this point, and it is understood Stanvac representative's similar view will be reconfirmed from New York this week.

On July 11 Dr. Wong informed foreign representatives that he had consulted with high officials "including Dr. T. V. Soong"<sup>9</sup> and was in a position to state decision his Government with respect to rehabilitation existing oil refining facilities on Formosa. Such rehabilitation, he stated, would be through CPC and it was not contemplated that there would be any occasion to form a joint company with foreign interests. Foreign technicians would be hired and crude petroleum would be secured from abroad, but no stock ownership or

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<sup>7</sup> Not found in Department files.

<sup>8</sup> Not printed.

<sup>9</sup> President of the Chinese Executive Yuan.

management control in the Takao refinery would be given to foreign interests. For political reasons Chinese Government could not permit participation by foreign companies in Formosa development, Dr. Wong stated, adding that "the people would not stand for it".

Dr. Wong clearly indicated that Chinese Government intends to participate in marketing of refined products. He stated Chinese Government is in oil business "to stay" not only in exploration, production and refining, but in marketing as well. He stressed, however, that the Chinese market will be a growing one, that Chinese Government wishes only to compete fairly with existing companies, and that there will be room for all.

Dr. Wong explained Formosa project is one which with technical assistance should be within its capacities to develop. The Kansu project, however, calls for investment beyond China's present capacity and is one, therefore, on which participation by foreign capital would be invited. Dr. Wong stated that if a joint company were formed for the Kansu project majority of stock would have to be held by Chinese. Also chairman of board would have to be Chinese, and he would have to have deciding vote (presumably on management matters). Accordingly, even with respect to Kansu, it appears that basis of organization now envisaged by Chinese would not be acceptable to American companies concerned.

In meeting July 13 apparently after consultation with T. V. Soong, Wong Wen-hao reaffirmed position with respect to Takao, but requested several times that companies agree to work out Kansu project separately. He stated that he had secured Executive Yuan approval for this project. Companies again stated that unless Takao refinery were included they could not undertake to discuss Kansu. In discussion there emerged importance of Takao as forerunner of Chinese Government's plans for other refineries. Dr. Wong stated that if later on a refinery should be established in Shanghai, it would be "unthinkable" to have foreign participation.

Dr. Wong requested representatives to attempt to persuade their principals by telegram to agree to Kansu as independent project, stating that he would be glad to make special trip to Shanghai next week for another meeting. Representatives all feel, however, that no useful purpose will be served by a further meeting and are preparing to return to US around July 20.

Embassy concurs that prolonging negotiation in present situation will probably only accentuate differences and render eventual agreement more difficult. We desire to make appropriate representations to Chinese Government expressing our Government's concern at extension of area of state enterprise of which establishment of CPC is not an iso-

lated example, but regard timing of such representations as of particular importance; this will be discussed in separate message.

Please inform Exim Bank,<sup>10</sup> Treasury and Commerce.

SMYTH

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893.6363/7-1946 : Telegram

*The Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, July 19, 1946—7 p. m.

484. Formation China Petroleum Co matter of concern to Dept (Embtel 1137 July 14). Following points considered important.

1) Possession Govt regulatory functions re rationing, price control and import licensing places Govt-owned Co which competes with American Cos in position dictate distribution products and terms market participation with potentialities discrimination and impairment American capital investment. American oil Cos express willingness invest 50 million dollars new construction and rehabilitation present facilities only if adequate assurances given of nondiscrimination in marketing. Such assurance would necessarily include transfer regulatory authority from competing Govt Co to impartial Govt agency. Dept considers this position American oil Cos only commercially tenable one in premises and appropriate Chinese authorities should be so informed.

2) Oil Cos being encouraged invest 50 million dollars rehabilitation pre-war marketing facilities plus 80 million or more for participation new indigenous producing refining industry. They state their reluctance proceed these heavy capital expenditures derives solely from uncertainty future status which results from apparent Chinese intention to nationalize large part oil industry. This reluctance will probably be shared by other prospective sources private foreign capital particularly in view newspaper reports re establishment Govt-owned enterprises in fields marine products, textiles, iron-steel, silk, shipyards, electric appliances (Emb requested verify these reports). While recognizing China's sovereign right establish Govt-owned industrial units or nationalize existing enterprises, US regrets any Chinese economic policies which discourage sound inflow private capital on reasonable terms at time when total Chinese capital requirements for economic recovery and expanding industrialization exceed available supplies U. S. public funds.

3) Oil Cos believe Chinese plans for extensive Govt participation oil industry which they feel directed to gradual exclusion private

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<sup>10</sup> Export-Import Bank of Washington.



Cos predicated on assumption US public funds for financing nationalized oil industry projects will be made available. This Govt's view is that high risk enterprises such as oil development should be financed by private capital. Dept understands private capital is available in this case if proper assurances forthcoming. Purpose provision US public funds is create net increment economy beyond that possible private channels. Funds not designed (a) replace or substitute private capital where available and willing participate on reasonable terms, (b) finance projects purpose or result of which is acquisition or displacement existing and economic private enterprises. US assistance specific projects will be determined on basis economic soundness. On foregoing grounds unlikely US public funds available (Chinese) Govt development indigenous oil resources or refining marketing indigenous or imported crude or products.

Therefore, you authorized communicate point 1 and any or all of points 2 and 3 to appropriate Chinese authorities in your and Gen Marshall's <sup>11</sup> discretion and with due regard considerations of timing mentioned but not elaborated last para Embtel 1137.

BYRNES

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893.6363/7-2746 : Telegram

*The Consul General at Shanghai (Davis) to the Secretary of State*

SHANGHAI, July 27, 1946—noon.

[Received July 28—1:35 a. m.]

1353. Representatives Stanvac and Shell China had conversation in Shanghai July 25 with Wong Wen-hao, Vice President, Executive Yuan and President and chairman of board of Chinese Petroleum Corporation (CPC), and quota [*quoted*] latter as saying that he regretted no agreement on Kansu had materialized during the visit of delegation (RefEmbtel about petroleum negotiations) and that in his opinion obstacles in way concluding agreement had been exaggerated. Meyer, Stanvac, replied that delegation was disappointed also but did not share view that obstacles had been exaggerated.

Wong requested the foreigners present to endeavor to appreciate position Chinese Government and his own position. He referred to Taiwan problem and stressed the point that "delicate matter of war booty" involved and that public opinion China would not approve foreign companies acquiring large share such property. He felt foreign companies would not be satisfied with small share and he had

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<sup>11</sup> General of the Army George C. Marshall, President Truman's Special Representative in China.

reached conclusion that joint ownership Takao refinery is practicable. He emphasized the "delicateness" of problem by describing situation Manchuria where Russians after having removed major portion of petroleum plants had proposed to Chinese Government that a 50-50 Sino-Russian company be formed to develop Manchurian petroleum potentialities. Wong implored the foreign representatives to make latter point clear to their home offices.

With great earnestness, Wong reiterated desire develop Kansu in partnership with foreign companies and hoped to find solution difficulties blocking such arrangement. He thought there must be some means, other than joint ownership of Takao, would resolve issue as he was fully prepared cooperate with foreign companies on matters common interest such as distribution and marketing.

Wong requested representatives to get word back to him regarding attitude their home offices as Chinese Government cannot wait indefinitely to formulate Kansu plan.

Stanvac representative invited attention fact that Americans wanted private enterprise and that formation of CPC gave rise to doubt in regard to China's commercial and economic future. T. K. Chang, CPC, stated that Chinese private enterprise not able to handle petroleum and therefore only natural for government to form CPC. Despatch enclosing full memorandum of discussion will be airmailed.<sup>12</sup>

Repeated to Nanking as 751.

DAVIS

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893.6363/8-1346 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, August 13, 1946—9 a. m.

[Received 10:38 a. m.]

1303. Substance of Deptel 484, July 19 regarding Chinese Petroleum Corp (CPC) and negotiations with American oil companies, has been conveyed to Dr. Wong Wen-hao, Vice President Executive Yuan and President CPC. In conversation with Butterworth<sup>13</sup> and Walker<sup>14</sup> August 8 Wong added no new information (to that already reported in Embtel 1137, July 14 and Shanghai Contel 751, July 27<sup>15</sup>) but was at pains to review course of negotiations from Chinese standpoint. He did state that under present circumstances Chinese Govt regards control of movement petroleum products necessary to assure supplies

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<sup>12</sup> Despatch No. 155, July 30, not printed.

<sup>13</sup> W. Walton Butterworth, Minister-Counselor of Embassy.

<sup>14</sup> Melville H. Walker, Assistant Commercial Attaché in China.

<sup>15</sup> See last sentence of telegram No. 1353, *supra*.

not going to Communist hands, citing measures Communists have taken to block flow of products to urban centers.

We did not attempt to pass on particular merits of negotiations with oil companies, except to state Dept's support their view regarding potentialities for discrimination in situation in which state-owned enterprise functions both as business competitor and govt regulator. After emphasizing in general but strong terms our Govt's concern at trend towards state monopolies in China, of which CPC is not an isolated example, we made clear in a memo left with Dr. Wong that on grounds mentioned sections 2 and 3 Deptel 484 it was unlikely US public funds would be available (Chinese) Govt development indigenous oil resources or refining marketing indigenous or imported crude products.

In above connection, we referred specifically to apparent refusal Chinese to accept US private investment for rehabilitation Takao refinery and to application for \$5,000,000 loan from Export-Import Bank for this purpose. Because Dr. Wong had mentioned \$3,700,000 as estimated cost Takao rehabilitation, he explained above 5,000,000 was to cover also cost of certain drilling equipment for use Szechuan province, as well as initial purchases crude petroleum for Takao plant.

Dr. Wong said that, in view their established position and investments in China, he hoped it would be possible to reach agreement with Standard-Vacuum, Texas Co. and Shell, but that he would have to feel free to talk with representatives of Anglo-Iranian Oil Co. who shortly are coming China, and with "other American oil companies".

STUART

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893.6363/8-2646 : Airgram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, August 26, 1946.

[Received September 10—2:41 p. m.]

A-[89]. As a result of the interview reported in the Embassy's telegram no. 1303, August 13, 9 a. m., 1946, Dr. Wong Wen-hao, Vice President of the Executive Yuan and the Chinese Petroleum Corporation (CPC), addressed to Mr. Butterworth a letter dated August 20, 1946 which is transcribed below :

"I beg to acknowledge receipt of your informal memorandum which you kindly handed to me on August 8th. I have already explained to you in our last conversation the preliminary principles on the joint enterprise of the petroleum fields in Western Kansu and Tsinghai provinces which have been reached last year with Mr. C. E. Meyer on behalf of the three oil companies. When the delegates of these com-



panies came last month, they asked for the joint ownership of the refineries of Formosa as well. As these refineries originally established by the Japanese require only small amount of capital for completion, it was thought on the Chinese side not desirable to agree on the joint ownership on the equal condition although cooperation in other way such as to supply crude oil by the three companies is to welcome [*be welcomed*]. It was also made clear to these delegates that with the increasing demand of oil products in China there will be still good market for imported oils. And foreign companies are being offered same facilities of trade as before the war with Japan.

"I wish now [to] offer some explanation on the economic policy of the Chinese Government which seems to be main concern of your memorandum.

"The National Government of China since its existence paid equal attention to the encouragement of private enterprises as well as the organisation of some few state undertakings which refer chiefly to basic industries. Such was the spirit of the Mining Law promulgated in 1929 in which it was provided a number of minerals such as petroleum, iron ores etc. to be operated by the state while many other minerals are open to private interest.

"The National Resources Commission was established in 1935 as an organisation responsible for operating state enterprises on basic minerals and industries. It is not at all a new organisation created just at present.

"These policies and related laws were already in existence a number of years before the present period. At the same time however due effort was made by the Government to help the private work. That was specially clear when I was in charge of the Ministry of Economic Affairs, Industrial and Mining Adjustment Commission and the War Production Board. During the long war period, cotton mills, paper factories, machine works, metallurgical plants, chemical plants etc. of private ownership were moved in, reinstalled, and encouraged to produce largely through the material help of the Government in supplying them with electric power, tools, materials, revolving fund and orders on their products. Such Government help on the private industry must still be remembered by the Chinese industrialists as well as members of the American Production Group who worked hard with me. The same policy remains valid today. The present administrative regime is at least equally anxious as before to help the private undertakings.

"In order to express such fundamental view by some formal text there was the resolution of the Supreme National Defence Council in 1944 on the policy of the first period economic reconstruction. According to that resolution the number of state enterprises to be operated by the Government alone should be limited to post and public telegraph services, arsenals, trunk railroads and large hydro-electric stations while all the other enterprises should be open to private interest. It was also provided that some enterprises of large scale such as petroleum works, iron and steel works, navigations etc. which are not within the available capacity of private efforts, the Government can undertake alone or in cooperation with private of [*or?*] foreign capital. Whenever such cooperation is to exist, corporation should

be established in which government shareholder will deal with the business administration as ordinary shareholder although the Government retains its rights of supervision according to law.

"According to our policy, cotton mills are not to be state enterprise. The fact that all the textile equipment left by Japanese are now being operated by the Government owned Textile Corporation is a temporary measure in order to hasten the recoveries of the work in view of the urgency of the requirement and the large number of labours ready at work. It has been officially announced that such measure will last only for 2 years after which shares will be offered to private interest.

"It is clear therefore that Chinese Government never intends to establish unnecessary state monopoly. It is earnestly hoped that the United States Government realize the necessity for China to improve the whole economic situation after the long war with Japan and it is the sincere determination of the Chinese Government to enforce measure practically required in this period although the fundamental policy remains fully respected. With such understandings, I hope that we shall continue to receive sympathetic cooperation from America."

I may add that Dr. Wong's reference to cotton textile industry arose from the fact that it was used by Mr. Butterworth as an illustration of what may happen to private enterprise in China when the government puts itself in a position to act both as a regulator and a competitor.

Needless to say, I shall be glad to pass on to Dr. Wong any comments that the Department may offer on his letter. For my part, I think it a good thing to keep this subject alive so that key Chinese officials will be aware of our interest in it. I am reliably informed that Dr. Wong's letter received Dr. T. V. Soong's approval before it was despatched.

STUART

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S93.6363/7-1946 : Airgram

*The Acting Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, August 26, 1946.

A-151. Reference Embassy's telegram 1303 of August 13. Presume substance Deptel 484 of July 19 conveyed Dr. Wong Wen-Hao in capacity Vice President Executive Yuan and not as President of Chinese Petroleum Corporation. Department would appreciate copy of memo left with Dr. Wong Wen-Hao.

In order to avoid whipsawing of American and British established interests, Department suggests Embassy and Consulate General, Shanghai, take occasion to apprise any representatives of American oil companies contemplating business with Chinese of government-company negotiations and pertinent developments petroleum situation. Every effort should be made to avoid permitting Chinese to play one group against the other.

British Petroleum Attaché, Washington, has been informed of general context your remarks to Chinese Government (Dr. Wong Wen-Hao) and has been asked to convey to Anglo-Iranian representatives, if such go to China, the background of Chinese petroleum situation. This he has agreed to do.

ACHESON

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893.50/9-546 : Airgram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, September 4, 1946.

[Received September 16—12:32 p. m.]

A-91. Under date of August 29, Dr. Wong Wen-hao, Vice President of the Executive Yuan, addressed a further communication to Mr. Butterworth on the general subject of the economic policy of the Chinese Government. He called attention to the reference he made in his letter of August 20, contained in A-89 of August 26, 1946, regarding the 1944 Resolution of the Supreme National Defense Council and enclosed a translation thereof. As of possible interest to the Department, it is transcribed below:

“The task of China’s economic reconstruction must be undertaken along the lines of planning in accordance with the teachings of Dr. Sun Yat-sen, in a way that free economic development under a General Reconstruction Plan will eventually lead to the establishment of the economic system prescribed in the Three Principles of the Peoples.<sup>18</sup>

“In the future all possible measures should be taken to encourage free enterprise in so far as they are not inconsistent with the principles of ‘Regulation of Capital’. Various means should also be devised to attract foreign capital, which is to be utilized in China in the spirit of fostering international economic cooperation on the basis of equality and reciprocity, provided that such cooperation does not prove detrimental to our sovereign rights or to the realization of our Economic Plan. In this manner it is hoped that free enterprise will furnish an impetus to economic development of China and help hasten the consummation of our Reconstruction Plan.

“Guiding principles for economic enterprises adopted at the 148th meeting of the standing Committee of the Council:

I. The industrial development of China should be carried out along two lines:

- (a) By private enterprises, and
- (b) By state enterprises.

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<sup>18</sup> The *San Min Chu I* of Sun Yat-sen were published before his death at Peking, March 12, 1925, and form a basic part of Kuomintang (Nationalist Party) policy.



II. In order to facilitate the division of labor under the General Plan for Economic Reconstruction the following provisions concerning economic enterprises are to be observed:

(1) The kinds of state monopolies should not be too numerous. Such monopolies include *inter alia* (a) postal service and telecommunications, (b) arsenals, (c) mints, (d) principal railroads and (e) large-scale hydraulic power plants.

(2) Private capital may engage in any enterprise other than state monopolies.

(3) The Government may, on its own account or in cooperation with Chinese or foreign capital, engage in enterprises which private capital is not fully capable of developing or which the Government regards as being of special importance, such as large-scale petroleum fields, steel plants, air and water transportation, etc.

(4) All enterprises which are operated by the Government in cooperation with Chinese or foreign capital should be organized in the form of business corporations. The Government, apart from exercising such administrative supervision as is provided by law, is entitled to participate in the management of all matters relating to the business, finance and personnel of such corporations solely in its capacity as shareholder.

(5) With the exception of state monopolies, all enterprises operated by the Government, whether with or without the cooperation of Chinese or foreign capital, in so far as they are of a commercial character, should, as regards their rights and obligations, be treated in the same manner as private enterprises of a like character.

III. The establishment of any important private enterprise should, according to law, be submitted to the examination and approval of the Government on the basis of the General Plan for Economic Reconstruction. (Important matters to be considered include: location of the projected plant, production capacity, kind and quality of output, issuance of shares and bonds, etc.)

To all private enterprises that conform to the General Plan for Economic Reconstruction the Government should give special encouragement including financial aid and technical and transportation facilities, so that they may achieve their scheduled program.

IV. No restriction shall be placed on the percentage of foreign share of capital in any Sino-foreign enterprise. In the organization of such a corporation it shall not be made a fixed rule that the General Manager be a Chinese, although the Chairman of the Board of Directors must be a Chinese.

V. State enterprises may contract foreign loans or seek foreign investments through competent Government organs provided that they first be approved by the Government on the basis of the General Plan for Economic Reconstruction. Private enterprises may also directly undertake such negotiations, provided that similar approval of the competent government organs is obtained.

VI. All enterprises in China which are directly financed and operated by foreign nationals on their own account should observe Chinese laws and regulations. In the case of certain special enterprises which

would require special authorization for their establishment and operation, special charters of [*or*] franchises may be granted to foreign nations upon application to and approval by the Chinese Government.

VII. Persons in the Government service are prohibited to participate in the operation and management of enterprises that fall within the scope of their supervisory functions."

STUART

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893.6363/9-1746 : Airgram

*The Ambassador in China (Stuart) to the Secretary of State*

[NANKING, September 17, 1946.]

[Received October 4—9:07 a. m.]

A-98. The conversation to which reference is made in Department's A-151, August 26, 1946, was held in the home of Dr. Wong Wen-hao. Although the informal memorandum left with him was based on the Department's 484, July 19, 7 p. m., and therefore was concerned with the Chinese petroleum situation, the discussion dealt mainly with the broader economic issues in controversy. He was clearly given to understand that it was being held with him in his capacity as Vice President of the Executive Yuan.

The Embassy also took action similar to the Department's and acquainted the British Counselor of Embassy with the general tenor of informal representations made to Dr. Wong.

As requested there is transcribed below the text of the informal memorandum left with Dr. Wong:

"The Embassy and the Department of State have been informed by the representatives of the American oil companies concerning the general course of their discussions with you in recent weeks. It is our understanding that earlier negotiations for establishment of a Sino-foreign company for joint development of the Kansu field were not resumed in these talks, the American (and British) companies desiring a prior clarification of the intended functions of the recently established Chinese Petroleum Corporation and of the implications for them of the apparent intention of the Chinese Government to nationalize a large part of the oil industry.

"A matter of major concern to the oil companies appears to have been the assignment by the Chinese Government of regulatory functions with respect to rationing, price control, and import licenses to the Chinese Petroleum Corporation, which thus is enabled to function in a dual capacity both as competitor and government regulatory body. Its powers to dictate terms of distribution and market participation has potentialities, at least, for discrimination and impairment of American capital investment.

"It is our understanding that American companies have expressed willingness to invest 50 million dollars for new construction and for

rehabilitation of their present facilities only if adequate assurances are given of nondiscrimination in marketing, and that in their view such assurances would necessarily include transfer of regulatory authority from the Chinese Petroleum Corporation as a competing government company to a neutral (impartial) government agency. We are requested to inform the appropriate Chinese authorities that the Department of State considers this position of the American oil companies the only commercially tenable one in the premises.

"Oil companies' reluctance to invest \$50,000,000 in rehabilitation of pre-war marketing facilities and \$80,000,000 more for participation in new indigenous producing and refining industry derives solely from uncertainty concerning their future status which is occasioned by the apparent Chinese intention to nationalize a large part of the oil industry. The Department of State points out that their reluctance will probably be shared by other prospective American sources of private capital, particularly in view of reports of establishment of government owned enterprises in a number of fields, such as textiles, marine products, iron and steel, shipyards, electric appliances, et cetera. While recognizing China's sovereign right to establish government owned industrial units, or to nationalize existing enterprises, the United States Government regrets any Chinese economic policies which discourage a sound inflow of private capital on reasonable terms at a time when total capital Chinese requirements for economic recovery and expanding industrialization exceed available supplies of United States public funds.

"The Department of State informs us of our Government's view that the purpose of extension of credits to China from the United States public funds is to create a net increment in economic development beyond that which is feasible from private channels. Such funds are not designed (a) to replace or substitute for private capital where such is available and willing to participate on reasonable terms; or (b) to finance projects the purpose or result of which is to acquire or displace existing economically feasible private enterprises. On these grounds and because also our Government believes that high risk enterprises, such as oil development, should be financed by private capital, we are informed that it is unlikely that United States public funds will be available to assist the Chinese Government in development of indigenous or imported crude products."

STUART

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893.6363/10-2446 : Telegram

*The Acting Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, October 24, 1946—7 p. m.

928. Recent petroleum developments such as Anglo-Iranian crude contract and assumption supervision by Anglo of rehabilitation Takao refinery (Shanghai A-684 Sept 17<sup>17</sup>) disquieting particularly in relation probable future trading conditions China market. It is felt here that intensified coalescence China Petroleum Corp operations

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<sup>17</sup> Not printed.



as above evidenced foreshadows hardening of trading relationships between CPC and foreign Cos with possibility that CPC might resort to use of regulatory powers if competitive conditions react their disadvantage.

1944 Resolution Supreme National Defense Council (your airgram Sept 4 <sup>18</sup>) states in effect under Section 2 par 5 that Govt commercial enterprises mixed or simple shall be treated same as private enterprises so far as concerns their rights and obligations. Suggest Emb ascertain or satisfy itself that this still "guiding principle" of Chinese General Economic Reconstruction Plan and if so whether it means what Dept considers it should mean that Govt enterprises will not be granted functions privileges not accorded private enterprise.

Basing presentation on above resolution if valid basis as well as on reasons outlined Deptel 484, July 19, Dept believes Emb should again urge Chinese authorities transfer CPC regulatory powers to disinterested agency seeking at same time assurances that future trading conditions will follow above "guiding principle" affording private Cos parity with CPC in every respect consistent with basic laws.

ACHESON

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891.6363/10-2946 : Telegram

*The Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, October 29, 1946—3 p. m.

948. Dept recently informed that Anglo-Iranian Oil Co. has signed contract with Chinese Petroleum Corp for delivery Takao of 300,000 tons crude—one-third first half and two-thirds second half 1947. According BritEmb here business taken on competitive bid. According Arabian American Oil, the supposed other bidder, no real bid called for. Aramco consulted by Chinese but when time for bid arrived found business already placed with AIOC. Report requested details especially names of bidders, prices, terms, duration and possible tangential considerations.

Assumption by AIOC of supervision of rehabilitation Takao refinery (Shanghai A-684, Sept 17 <sup>19</sup>) assumedly in conjunction with crude contract raises question whether Chinese-AIOC arrangement envisages more than mere supply contract. Indications from oil Cos that AIOC interested marketing. Is AIOC financing any part Takao reconstruction? Is AIOC interested in Kansu development?

BYRNES

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<sup>18</sup> A-91, p. 1386.

<sup>19</sup> Not printed.

893.6363/11-3046 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, November 30, 1946—3 p. m.

[Received December 1—7:04 a. m.]

2010. Following from J. Morch-Hansen, Assistant General Manager Texas Company (China) Ltd., Nanking. Submitted as preliminary response Deptel 948, October 29, 3 p. m. :

Contract between Chinese Petroleum Corp. and Anglo-Iranian Oil Co. arranged in US by New York office of Chinese National Resources Commission. Deal provides for purchase in US currency 2,400,000 barrels crude at US \$1.79 per barrel c. i. f. Takao, payment being made 10 days before loading at Abadan for quantity to be loaded. Terms delivery essentially as quoted but possibly with provision for deliveries into 1948 if refinery unable handle scheduled amounts. Refinery expected start operations February 1 next with initial capacity 6,000 barrels per day, this being increased during 1947.

Informant questions whether business placed on competitive bid basis, stating that NRC representatives had previously approached Aramco and possibly also other American companies and had been quoted on f. o. b. source of supply basis which not nearly so attractive as AIOC quotation. He states Aramco since given assurance it will be given chance bid on future business.

Hansen states crude contract does not provide for AIOC supervision of rehabilitation Takao refinery; that AIOC representatives now at refinery solely for purpose assisting setting up pipelines for receiving crude; that AIOC not financing any part Takao reconstruction; and that AIOC not actively interested in Kansu development. He adds, however, that AIOC recently established Shanghai office and is presumably interested marketing.

Informant states also that AIOC about 6 months ago sold to Chinese Merchants Steamship Co. 80,000 tons fuel oil and [apparent omission] thousand tons diesel oil, this business arranged through Chinese Supply Commission, Washington. Has Dept information this deal? [Morch-Hansen.]

Embassy comment: Hansen's information believed reasonably accurate. Support for his statements on certain aspects CPC-AIOC contract given in report dated November 6 on Takao refinery prepared by Arthur G. May, New York office Stanvac, copy forwarded Dept by ConGen Shanghai with despatch 492, November 19.<sup>20</sup> May states AIOC representatives offered to give any technical assistance CPC desired but that refinery manager expressed intention ask Universal Products recommend two technicians for employment by CPC, one petroleum manufacturing and one refinery engineering.

Embassy will report further following discussions with Dr. Wong Wen-hao, president of CPC, accordance Deptel 928, October 24.

STUART

<sup>20</sup> Not printed.

893.6363/12-546 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, December 5, 1946—2 p. m.  
[Received December 5—10:50 a. m.]

2036. In response to statement made orally by Minister-Counselor along lines Deptel 928, October 24, Dr. Wong Wen-hao stated December 4 (1) that Chinese authorities are giving serious consideration to severance production-marketing and regulatory functions of China Petroleum Corporation and (2) that paragraph from SNDA [*SNDC*] 1944 resolution cited Dept's telegram still considerable [*considered*] by Chinese Govt to be guiding principle in establishment and operation Govt enterprise.

Regarding (1), Wong, though giving no indication that early action might be taken, expressed sympathy for this point of view. Commenting (2), Wong referred to Chinese Govt operation of former enemy-owned textile mills and other light industry plants and said that Govt would follow announced plan to sell there properties to private investors 2 years after cessation of World War II hostilities or if necessary, within the permissive 1 year additional. He said Govt would continue to operate only those seized plants which fall into heavy industry category.

US Govt concern over points raised Deptels 928 and 948, October 29, expressed in letter presented Wong at conclusion conversation with request he make reply for reference to Dept. Question CPC-AIOC contract and collaboration not brought up in talk but forcefully raised in letter. Embassy will expect send Dept copies both letters.

(Source information Embtel 2010, November 30, 3 p. m., states Wong and other official CPC confided to him recently their desire have regulatory powers taken away from CPC and to operate only as fully integrated oil company.)

STUART

893.6363/12-746 : Telegram

*The Ambassador in China (Stuart) to the Secretary of State*

NANKING, December 7, 1946—2 p. m.  
[Received December 7—12:35 p. m.]

2056. In letter to Embassy dated December 5 marked "informal" Dr. Wong Wen-hao (Deptels 928, October 24 and 948, October 29 and Embtels 2010, November 30 and 2036, December 5) states:



1. CPC-AIOC contracts signed August 1946 solely for purchase crude for "refineries already established by Japanese in war period and not a single provision was made concerning financial or technical assistance" from AIOC;

2. Only foreign firm giving CPC technical assistance is Universal Oil Products Company of Chicago;

3. ME [*Re?*] market for oil products in China, bulk of demand has been and still being supplied by Standard Vacuum, Caltex and Shell and "there has been established no monopolistic right for any organization" as testified by "fact that source of supply of oil comes from different companies".

4. Wong states he is "informed" AIOC intends to enter China oil market shortly because of huge war time development of production capacity and that "marketing of oil by any new firm in China requires no agreement with Chinese Petroleum Corporation".

5. Wong not asked directly of AIOC interest in Kansu development but this point, in so far as contract concerned, seemingly covered by following statement, "I assure you with my word of honor that no secret clause of whatever nature has been entered into contract on purchase of crude oil for Takao Plant."

6. Re purchases of oil or its products, "usual procedure in past was to go ahead according to practical convenience," or without competitive bidding. The requirement of crude oil of the Takao refineries was made known to at least two important firms, namely Aramco and AIOC. The contract was finally entered with latter company. However, ["the door will never be closed to any firm which is willing or capable of supplying China with her oil requirement in future".

7. Wong asserts in view foregoing in his opinion no part of guiding principle of SNDC 1944 resolution is involved and that "I wish to avail myself of this opportunity in expressing to you on behalf CPC its due respect to all foreign firms which have made substantial capital investment in China during last few decades".

8. Wong closed letter by expressing hope Embassy will understand problem and stating that "after all the Chinese are aiming at modest home production in order to meet portion of her domestic requirement". Embassy awaits Department's instruction before taking further action.

STUART

893.6363/12-546 : Telegram

*The Acting Secretary of State to the Ambassador in China (Stuart)*

WASHINGTON, December 13, 1946—5 p. m.

1174. AIOC activities China market Dept satisfied no favored nor discriminatory provisions incorporated CPC crude contract (Deptel 948 Oct 29, Embtels 2010 Dec 1 [*November 30*] and 2056 Dec 7). No further action considered necessary.

Concerning SNDC 1944 resolution if Emb satisfied Wong's confirmation (Embtel 2036 Dec 5) equality treatment Govt vs private enterprise carries force Chinese Govt no further action necessary. Dept feels assurance this point fundamental.

Emb requested continue interest separation regulatory functions from CPC and to report developments.

No info here AIOC sale China Merchants (Embtel 2010) but investigating and will report.

ACHESON

# OPPOSITION BY THE UNITED STATES TO CONTINUATION OF FOREIGN PURCHASING MISSIONS; DISCUSSIONS AS TO FUTURE ACTIVITIES OF THE CHINESE SUPPLY COMMISSION

611.0031/4-246

*The Department of State to the Chinese Supply Commission*<sup>1</sup>

## AIDE-MÉMOIRE

The Government of the United States recognizes the services performed by the several purchasing missions which were established in this country by other Governments during the war emergency. These services have encompassed among others the expediting of shipments, the handling of lend-lease transactions, the screening of requirements, and the direct procurement of essential supplies. However, the war having come to a victorious conclusion, it now becomes necessary to set forth the policy of this Government with reference to the continuance of these wartime agencies.

This Government favors the use of private channels in international trade as most consistent with the principles of liberal trade policy. At the same time it is recognized that the prompt conversion of the economies of the world, stabilization of prices, and equitable distribution of available supplies may make necessary the continuation of government participation in trade during the transition from war to peace. In such cases, it is the policy of this Government that state trading agencies should conduct their trade in accordance with usual commercial considerations.

With this in view it is the desire of this Government that existing foreign purchasing missions in the United States limit their operations during the transition period to the procurement of those commodities which are necessary to meet essential civilian requirements for relief and rehabilitation. Also it is this Government's position that purchasing missions should use normal trade channels to the maximum extent practicable and that their purchasing methods should be consistent with commercial considerations.

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<sup>1</sup> Handed to Dr. S. C. Wang, Chairman of the Chinese Supply Commission, on April 30. The same *aide-mémoire* was sent to other governments having purchasing missions in the United States.



Finally, as the transition period draws to a close and the emergency need ceases to exist the United States Government believes that these wartime missions should be disestablished.

WASHINGTON, April 2, 1946.

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693.1111/4-3046

*Memorandum of Conversation, by Mr. Charles P. O'Donnell of the  
Division of Commercial Policy*

[WASHINGTON,] April 30, 1946.

Participants: Dr. Ta-Chung Liu, Assistant Commercial Counsellor,  
Chinese Embassy  
Dr. S. C. Wang, Chairman, Chinese Supply Commission  
Mr. Brown, CP <sup>2</sup>  
Mr. Gay, CP <sup>3</sup>  
Mr. White, CP <sup>4</sup>  
Mr. Woodard, FE <sup>5</sup>  
Mr. O'Donnell, CP

At our request, Dr. Liu and Dr. Wang came to the Department to discuss questions of policy concerning the operation of the Chinese Supply Commission.

Mr. Brown explained that the Department is asking the representatives of countries having purchasing missions in this country to discuss the present operations of their missions and their future plans for them. Mr. Brown explained that this Government believes that international trade should be returned to private channels as soon as practicable. He pointed out that we were fully appreciative of the enormous difficulties confronting China in the work of rehabilitation and that the policy statement we presented to the Chinese representatives in the *aide-mémoire* on purchasing missions had taken this consideration into account.

Mr. Wang said that the Chinese position was unique and that there was nothing in China which made it possible to go back to individualistic purchases immediately. He thought that some sort of plan somewhere between Amtorg <sup>6</sup> and *laissez-faire* might have to be worked out to deal with Chinese trade problems. He expressed the belief that it would be disastrous to do away with the Chinese Purchasing Mission at once. He said it would be first necessary to build up Chinese econ-

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<sup>2</sup> Winthrop G. Brown, Chief of the Division of Commercial Policy.

<sup>3</sup> Merrill C. Gay, Assistant Chief of the Division of Commercial Policy.

<sup>4</sup> Cecil Thayer White.

<sup>5</sup> Granville O. Woodard, of the Division of Chinese Affairs, Office of Far Eastern Affairs.

<sup>6</sup> Soviet Government trading organization in the United States.

omy and then unfreeze controls in the same way OPA<sup>7</sup> controls might be demobilized in the United States. Mr. Wang said that if the restoration of private trade in certain commodities resulted in only a slight increase in the price for that commodity, there might be no objection to such trade. However, there were many other products where the savings made by the purchasing commission were substantial. He thought that two or three years of purchasing mission activity might be necessary to accomplish the objective of building up China's economy.

In reply to a question, Dr. Wang said that if importers telegraphed him money to buy for them, he would be glad to arrange for such purchases, but this had never been done. Dr. Liu asked Dr. Wang if it were not true that the purpose of the Purchasing Mission was to purchase for government account and that there had never been occasion to determine whether the Mission had the authority to purchase for private business. Dr. Wang's reply was non-committal.

Mr. Brown asked the Chinese representatives to present their views on our purchasing mission policy in writing and to indicate their future plans for operation as soon as it is convenient.

This meeting was held in Mr. Brown's office, April 9, 1946, at 9:30 a. m.

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611.0031/5-1846

*The Chinese Supply Commission to the Department of State*

WASHINGTON, May 18, 1946.

GENTLEMEN: The Government of China appreciates the expression of views of the United States Government with respect to the functions of purchasing missions of the governments of other countries, contained in the State Department's *aide-mémoire* of April 2.

The Chinese Supply Commission in Washington is not a state trading agency in the ordinary sense. Its procurement activities are limited to transactions on behalf of the Chinese Government undertaken on specific direct instructions from the Chinese Government to meet urgent essential needs for relief and rehabilitation. Wherever practicable, the Commission also prefers normal trade channels in its work and all purchasing methods are designed to be consistent with usual commercial considerations.

It is noted that the Government of the United States recognizes the need for some government participation in international flow of supplies during the period of transition from war to peace. Despite the enormous damage done to the Chinese economy during prolonged resistance to the Japanese occupation, the Government of

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<sup>7</sup> Office of Price Administration.

China is struggling towards a stage of economic stability that will afford a basis for normal peacetime domestic and international trade policies and practices. The Government of China is most appreciative of the assistance rendered towards this end by the Government of the United States.

Very truly yours,

SHOU-CHIN WANG  
*Chairman*

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693.1111/6-1746

*The Secretary of State to the Embassy in China*

No. 610

WASHINGTON, June 17, 1946.

The Secretary of State refers to telegram no. 641, April 14, 3:00 p. m. from the Consulate General at Shanghai <sup>8</sup> reporting that a visa has been issued to Chang Fu-Kong and stating the view of the Consulate General that the Central Trust is taking this method of establishing channels for Government purchases and sales, thus circumventing private trade channels, and to Embassy's telegram no. 834, May 20, 6 p. m.<sup>8</sup> from Adler <sup>9</sup> to the Secretary of the Treasury <sup>10</sup> with respect to possibility the Chinese Government intends to canalize imports of machinery purchased with the proceeds of Export-Import Bank loans through official channels. The Consulate General believes that it may expect further applications for visas by Chinese commissioned to purchase and sell for the Chinese Government and requests the Department's instructions in this regard.

The policy of this Government with respect to the restoration and maintenance of private trade channels in international trade has been emphasized recently to all the Governments with purchasing missions in this country, including China. A copy of a press release of May 4, 1946 regarding the discussions with those Governments is attached.<sup>11</sup> Also, there is attached a copy of a memorandum of conversation on this subject between officers of the Department and Dr. T. C. Liu, Assistant Commercial Counselor of the Chinese Embassy and Dr. S. C. Wang, Chairman, Chinese Supply Commission, together with an *aide-mémoire* handed them during the conversation. An officer of the Embassy declined an invitation to the meeting.

The Embassy will note that the Chinese representatives were requested to inform the Department in writing of the views of the Chinese Government on this Government's purchasing mission policy and to indicate its plans for future action in this connection. However, for the Embassy's confidential information, some of the com-

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<sup>8</sup> Not printed.

<sup>9</sup> Solomon Adler, Treasury representative in China.

<sup>10</sup> Fred M. Vinson.

<sup>11</sup> Department of State *Bulletin*, May 12, 1946, p. 819.



ments made after the meeting by Dr. Wang and Dr. Liu led the Department to believe that Dr. Wang would make the reply and that it would represent only his personal views. In an interview between officers of the Department and the Chinese Ambassador on May 9,<sup>12</sup> the Department's interest in this matter was further discussed and the Ambassador's attention called to the conversation with Dr. Liu and Dr. Wang; the Ambassador was informed that the Department would be very interested in his Government's reply. On still another occasion, an officer of the Department indicated to Mr. T. L. Tsui, First Secretary of the Chinese Embassy, that the Department expected the reply to come from the Embassy. The enclosed reply signed by Dr. Wang dated May 18, 1946,<sup>13</sup> was finally received. For your confidential information, an officer of the Department was informed by the Acting Commercial Counselor several days before it was received that he and the Ambassador had seen Dr. Wang's draft reply. Furthermore, it is understood that the question was referred to Nanking before the reply was made, but to what agency is not known. The Department has the impression that the Embassy does not undertake to exercise any real authority over Dr. Wang.

The Department feels that the reply from Dr. Wang is not completely responsive. For example, there is no indication as to the period of time it is believed will be necessary to complete the work of the Supply Commission. (The Embassy will note that in the course of the conversation in the Department Dr. Wang stated his belief that two or three years of purchasing commission activity might be necessary.) Also, there is no indication as to whether the Government is purchasing or expects to purchase through the Commission for the account of private firms.

The Department would appreciate receiving any comments the Embassy may have with respect to the exchange of views regarding the future of the Purchasing Commission. Also, the Embassy may feel that it would be desirable for it to take advantage of the earliest appropriate opportunity to inform the Ministry of Foreign Affairs of these conversations.

With further reference to the telegram from the Consulate General of April 14, the Department would appreciate being kept currently informed of any other Chinese who, in the opinion of the Consulate General may buy or sell in the United States for the Government. The Department also desires to be informed of purchases made by the Chinese Purchasing Mission for private account or of sales to private individuals or firms by the Chinese Government of items acquired by it through the Chinese Purchasing Commission.

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<sup>12</sup> No record of conversation found in Department files. Dr. Wei Tao-ming was the Chinese Ambassador.

<sup>13</sup> *Ante*, p. 1397.



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